

LAW ON TAXES ON THE INCOME OF NATURAL PERSONS

In force from 01.01.2007

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Part one. GENERAL PROVISIONS

Chapter one. SUBJECT MATTER OF THE LAW, OBJECT OF TAXATION AND TAXABLE PERSONS

Subject Matter of the Law

Art. 1. This Law shall regulate the taxation of natural persons, including their income from activity as a sole proprietor.

Object of Taxation

Art. 2. The object of taxation under this Law shall be the income of local and foreign natural persons.

Taxable Persons

Art. 3. The taxable persons under this Law shall be:

- Law;
1. the local and foreign natural persons that are bearers of the obligation to pay taxes under this Law;
 2. the local and foreign persons that are obligated to withhold and pay taxes under this law.

Local Natural Persons

Art. 4. (1) Regardless of the citizenship thereof, a local natural person shall be a person:

1. whose permanent place of residence is in Bulgaria, or
2. who spends inside the territory of Bulgaria more than 183 days in each period of 12 consecutive months, or
3. who resides abroad on assignment of the Bulgarian State, its authorities and/or its organizations, or Bulgarian establishments, and the members of his/her family shall also be local natural persons, or
4. who has his/her centre of vital interests in Bulgaria.

(2) For the purposes of para. 1, item 2 the person shall be regarded as a local one for the year during which his/her stay exceeds 183 days. The day of entering the country and the day of leaving the country shall be regarded as days of stay within the country.

(3) For the purposes of para. 1, item 2 the period of stay in Bulgaria for the sole purpose of receiving education or medical treatment shall not be regarded as a period of stay in Bulgaria.

(4) For the purposes of para. 1, item 4 the person shall have his/her centre of vital interests in Bulgaria in those cases where the interests of the person are closely connected with the country. In the course of determining those interests, the following may be taken into consideration: the family, the property, the place in which the person carries out his/her employment, professional or business activity, and the place from which he/she manages his/her property.

(5) A person who is permanently residing in the country, however, his/her centre of vital interests is not located in the country, shall not be a local natural person.

Foreign Natural Persons

Art. 5. Foreign natural persons shall be the ones who are not local persons within the meaning of Art. 4.

Tax Obligations of Local Natural Persons

Art. 6. Local natural persons shall be bearers of the obligation to pay taxes on income originating from sources located either within the Republic of Bulgaria or abroad.

Tax Obligations of Foreign Natural Persons

Art. 7. Foreign natural persons shall be bearers of the obligation to pay taxes on income originating from sources located within the Republic of Bulgaria.

Income from Sources within the Republic of Bulgaria

Art. 8. (1) The income originating either from business activity through a certain establishment inside the territory of the Republic of Bulgaria or from disposal of the property of such an establishment shall be income from a source in Bulgaria.

(2) The income originating either from performance provided inside the territory of the Republic of Bulgaria or from services provided inside the territory of the Republic of Bulgaria shall be income from a source in the Republic of Bulgaria.

(3) The income originating from dividends and liquidation shares in local legal entities and unincorporated companies, including joint venture contracts shall be income from a source in the Republic of Bulgaria.

(4) The income originating from the transfer of an establishment of a sole proprietor, registered in the Republic of Bulgaria, shall be income from a source in the Republic of Bulgaria, regardless to whether the transferor is a local person or not.

(5) (amend. – SG 113/07, in force from 01.01.2008) Awards and remuneration for activity carried out inside the territory of the country by foreign natural persons – public figures, scientific workers, eminent figures in arts, culture and sport shall be income from a source in the Republic of Bulgaria, including those cases in which the income has been due or paid through a third person, such as an impresario agency, producer's firm or another intermediary.

(6) The following income due/paid by local persons, or by a commercial representative office, or from a place of business activity or an establishment within the Republic of Bulgaria, shall be income from a source in the Republic of Bulgaria:

1. indemnities and compensations realized in lieu of or along with other income originating from a source in the Republic of Bulgaria;

2. pecuniary and non-pecuniary awards in games and competitions, these awards not being provided by an employer or an assignor;

3. remuneration other than remuneration under employment legal relationships paid to an employee or a member of the management or supervisory body of a Bulgarian legal entity, or a branch of a foreign person, an employee in a commercial representative office of a foreign person, or any other person performing identical or similar functions;

4. interest, including interest under a lease contract;

5. income originating from rent or any other granting of the use of movable or immovable property;

6. remuneration under franchising contracts and factoring contracts;

7. author's and licence remuneration;

8. remuneration for technical services;

9. remuneration under enterprise management contracts and supervision contracts;

10. (new – SG 113/07, in force from 01.01.2008) study grants in the state and abroad;

11. (new – SG 113/07, in force from 01.01.2008) income from social insurance and insurance.

(7) (amend. – SG 113/07, in force from 01.01.2008) The income referred to in para. 6 due by local legal entities or local sole proprietors through a place of business activity or an establishment outside the country or paid by local natural persons through an establishment outside the country shall not be income from a source in the country.

(8) The income originating from stocks, shares, compensatory instruments, investment bonds and other financial assets emitted by the State, municipalities, local legal entities, unincorporated companies or from any forms of joint venture, as well as the income originating from transactions therein shall be income from a source in Bulgaria.

(9) The income originating from agriculture, forestry, game husbandry and fish industry inside the territory of the country shall be income from a source in Bulgaria.

(10) The income originating from the use, sale, exchange or any other transfer of immovable property, including the common indivisible parts thereof and limited property rights thereupon, the immovable property being located inside the territory of the country, shall be income from a source in the country.

(11) (new – SG 94/10, in force from 01.01.2011) From a source in the Republic of Bulgaria shall be also the following income accrued from local legal persons, local sole entrepreneurs or foreign legal persons and sole entrepreneurs through a place of economic activity or certain base in the country in favour of foreign natural persons established in jurisdictions of preferential tax regimes:

1. remunerations for services or rights with exception of cases, where the services or rights have been actually provided;

2. stipulated damages or compensations of any kind with exceptions of compensations accrued by virtue of insurance contracts.

(12) (prev. text of Para 11 – SG 94/10, in force from 01.01.2011) In determining the source of income under this Art. the place in which the income is paid shall not be taken into consideration.

Documenting and Reporting the Income

Art. 9. (1) The taxable persons shall be obligated to get registered and to report the sales they have made, as well as the services they have provided, by way of issuing a fiscal cash-register slip from a fiscal device in accordance with the procedure set forth in an Ordinance of the Minister of Finance, except where the payment is made through the bank or by way of a set-off.

(2) Those taxable persons that have no obligation to issue a fiscal cash-register slip from a fiscal device as set forth in para. 1, shall issue a document evidencing their income originating from sources referred to in Art. 10, para. 1, items 3 and 4, this document containing the requisites referred to

in Art. 7, para. 1 of the Accounting Law.

(3) (suppl. - SG 99/11, in force from 16.12.2011) The provisions of para. 2 shall not apply to the income on condition that upon receiving it the payer of the income has issued the Paid Amounts Form provided for in this Law, or the income has been charged with a final tax in accordance with the procedure set forth in Chapter Six, as well as to income under Art. 13, Para 1, Item 24.

Chapter two. INCOME AND TAXES

Types of Income

Art. 10. (1) Depending on its source, the types of income under this Law are the following ones:

1. income from an employment legal relationship;
2. income from business activity as a sole proprietor;
3. income from other business activities;
4. income from rent or any other granting of the use of rights or property;
5. income from the transfer of rights or property;
6. (amend. – SG 113/07, in force from 01.01.2008) income from sources referred to in Art. 35, as well as income taxable with final taxes under this Law.

(2) Depending on the form of payment, the income might be pecuniary or non-pecuniary income.

(3) In those cases where the income is in the form of foreign currency, it shall be calculated in BGN in accordance with the fixing rate of the Bulgarian National Bank as at the date of receiving the income.

(4) The value of non-pecuniary income shall be calculated in BGN as at the date of receiving the income, that value being the market price of the non-pecuniary income.

Receiving Income

Art. 11. (1) Unless this Law provides otherwise, the income shall be regarded as received on the date of:

1. payment – where the payment has been made in cash;
2. crediting the account of the recipient of the income, or the date of receiving the cheque – in the cases of cashless payment;
3. receiving the consideration – in the cases of non-pecuniary income.

(2) In the cases of sale, exchange or other transfer for consideration of rights or property referred to in Art. 33, para. 3 the income shall be regarded as received as at the date of transfer.

(3) The income shall be regarded as received by the natural person in those cases where, either by order of the natural person, or by agreement between the natural person and the payer, the payment or consideration has been received by a third person. As for determining the date of receiving the payment it is paras. 1 and 2 that shall apply.

(4) (amend. – SG 113/07, in force from 01.01.2008; amend. – SG 94/10, in force from 01.01.2011) The income referred to in Art. 33, para. 11 shall be regarded as received as at the date of recording the transfer and removal of the sole proprietor.

Taxable Income

Art. 12. (1) Taxable income under this Law shall be the income originating from all sources

received by the taxable person during the year of taxation, with the exception of the income that is non-taxable by virtue of law.

(2) In those cases where this Law provides for a deduction of expenses, the expenses determined under this Law shall be taken into consideration in determining the taxable income originating from the respective source.

Non-Taxable Income

Art. 13. (1) The following income shall be non-taxable:

1. the income received during the year of taxation from the sale or exchange of:
 - a) (amend. – SG 95/09, in force from 01.01.2010) one immovable housing property, provided that more than three years have passed between the date of its acquisition and the date of the sale or exchange;
 - b) up to two pieces of immovable property, or agricultural property and forest land plots regardless of the number thereof, providing that the time elapsed between the date of acquisition and the date of sale or purchase is more than 5 years;
2. the income originating from sale or exchange of movable property, with the exception of the following:
 - a) road, air and water means of transport, providing that the time elapsed between the date of acquisition and the date of sale or purchase is less than 1 year;
 - b) works of art, objects for collections and antiquities;
 - c) stocks, shares, compensatory instruments, investment bonds and other financial assets, as well as the income originating from trade in foreign currency;
 - d) movable property delivered to persons having the right to perform collection, transportation, utilization or disposal of waste in accordance with the Law on Waste Management;
3. (amend. - SG 106/08, in force from 01.01.2009) the income originating from disposition of financial instruments in the sense of § 1, Item 1 of the Additional Provisions;
4. the profit, or any other source of the commercial company's equity, which has been distributed in the form of new stocks and shares, as well as the profit, or any other source of equity, which has been distributed in the form of increase of the par value of current stocks and shares;
5. persons' income originating from compensation in accordance with a statutory instrument, this being compensation for the sale or exchange of the compensatory instruments and investment bonds received as compensation;
6. the income from mandatory insurance in Bulgaria or abroad;
7. the income from additional voluntary insurance, this income being received after acquiring the right to additional pension; the income originating from the investment of technical reserves received under insurance contracts; the income originating from investment of the assets of the additional pension insurance funds distributed among the individual accounts of the insured persons;
8. (amend. - SG 106/08, in force from 01.01.2009) the interest income from deposits in local commercial banks and branches of foreign banks established in another Member State of the European Union or in another country - party to the Agreement on the European Economic Area;
9. (amend. – SG 32/09, in force from 01.01.2010) interest and discount from Bulgarian State bonds, municipal and corporative bonds, as well as from other such-like bonds, issued according to the legislation of another Member State of the European Union, or of a state – party to the Agreement on the European Economic Area;
10. interest on receivables established through the courts, these receivables not being subject to taxation, and the adjudged compensation for court costs;
11. the adjudged compensation and other payments in the cases of medium and grievous bodily injury, occupational disease or death;

12. compensation for forcible expropriation of property for the needs of the State and the municipalities;

13. compensation for pecuniary and non-pecuniary damages, with the exception of the compensation for loss of profit;

14. insurance indemnities in those cases where an insurance event has occurred;

15. social insurance benefits and aids received on the grounds of the Law of Integration of the People With Disabilities, the Law on the Protection of Children, the Law on Family Allowances for Children, or on the grounds of another statutory instrument, as well as the unemployment compensations and benefits received by virtue of a statutory instrument;

16. the aids from social activity organizations established under the law, and from not-for-profit legal entities registered for the purpose of carrying out activities for the public benefit;

17. the amounts received on the grounds of the Law on Family Allowances for Children, as well as the amounts for maintenance received by the persons authorized thereof under the provisions of the Family Code;

18. the scholarships awarded to natural persons for their training within the country and abroad;

19. those pecuniary amounts and gifts which have been received on the grounds of a statutory instrument by donors of blood, blood components and biological products for humane purposes;

20. those pecuniary amounts and objects which have been received from participation in gambling games within the meaning of the Law on Gambling;

21. (amend. – SG 113/07, in force from 01.01.2008) those pecuniary amounts and objects which have been received from participation in games other than the ones referred to in item 20 in which the winnings are determined randomly;

22. the State and national awards granted to authors in the field of culture and sportsmen, and the awards granted to winners in competitions under programmes and projects which are either wholly or partially financed by the "Culture" National Fund;

23. (amend. - SG 106/08, in force from 01.01.2009) the amounts for business travelling and accommodation allowances received under relationships other than employment ones, providing that they are at the expense of the assignor and that has been evidenced through documents in accordance with the operative legislation, as well as the daily allowances, providing that they do not exceed the double amount of those for persons under employment relationships;

24. the income originating from rent, lease or any other granting of the use of agricultural land for consideration;

25. the remuneration of: the members of the staff of diplomatic missions in accordance with Vienna Convention on diplomatic relationships; the members of consulates in accordance with Vienna Convention on consular relationships; the staff of inter-State and intergovernmental organizations in accordance with the international treaty concluded with the respective organization, and the members of the families of the said persons, inasmuch as the respective international treaty provides for that;

26. the income originating from the sale or exchange of property acquired by right of succession or legacy, as well as property that has been restituted in accordance with the procedure set forth in a statutory instrument;

27. consumer dividends from cooperative societies established under the Law on Cooperative Societies.

(2) (amend. – SG 95/09, in force from 01.01.2010) The property acquired by right of succession, or legacy, or donation and the property acquired with restituted right of ownership shall not be deemed income.

(3) (revoked – SG 95/09, in force from 01.01.2010).

(4) (new – SG 95/09, in force from 01.01.2010) No tax shall be defined as of the date of acquisition of shares and stock, obtained against non-monetary contributions in trade companies.

(5) (prev. par. 4, amend. – SG 95/09, in force from 01.01.2010; suppl. – SG 31/11, in force

from 01.01.2011) The provisions of par. 1, 2 and 4 shall not apply to the income from business activity of a trader within the meaning of the Commercial Law, including the activity of a sole proprietor, as well as to natural persons, registered as tobacco producers and farmers who calculate taxable income as per Art. 26.

Taxation of Income

Art. 14. (amend. – SG 113/07, in force from 01.01.2008) (1) (suppl. – SG 31/11, in force from 01.01.2011) The income referred to in Chapter Five received during the year of taxation shall be subject to a tax on the total annual basis of taxation, except for the income from business activities as a sole trader and the income from another business activity under Art. 29a.

(2) (suppl. – SG 31/11, in force from 01.01.2011) Income from business activities as a sole trader shall be charged by tax on the annual basis of taxation as per Art. 28. and the income from another business activity under Art. 29a

(3) The income referred to in Chapter Six shall be subject to a final tax.

(3) Natural persons, including sole traders, shall be subject to a patent tax with regards to income from patent activities under the terms and following the procedures laid down in the Law for Local Taxes and Fees. Regarding income from other activities, persons shall be taxed pursuant to this Law.

Part two.

TOTAL ANNUAL BASIS OF TAXATION

Chapter three.

GENERAL PROVISIONS

Year of taxation

Art. 15. The year of taxation shall be the calendar year.

Determining the Taxable Income and the Basis of Taxation

Art. 16. (1) The taxable income and the basis of taxation shall be determined separately for each source of income, in observance of the provisions of this Law.

(2) (suppl. – SG 113/07, in force from 01.01.2008) In determining the taxable income, the following income shall not be included: the income subject to a final tax under this Law and the income subject to a final tax under the Law on Corporate Income Taxation, as well as income, subject to taxation by patent tax pursuant to the Law for Local Taxes and Fees.

Total Annual Basis of Taxation

Art. 17. (amend. – SG 113/07, in force from 01.01.2008) The total annual basis of taxation is the aggregate of the annual bases of taxation as per Art. 25, 30, 32, 34 and 36, decreased by the tax relief provided for in this Law.

Chapter four.

TAX RELIEF

Tax Relief for Persons of Reduced Capacity for Work

Art. 18. (amend. – SG 113/07, in force from 01.01.2008) (1) The aggregate of the annual bases of taxation as per Art. 17 for persons whose capacity for work is reduced by 50% or more, this percentage being determined by way of an effective decision of a competent body, shall be decreased by 7920 BGN, this being also applicable to the year in which the reduced capacity for work occurred and the year in which the term of validity of the decision thereon expires.

(2) The monthly base of taxation as per Art. 42, para 2 regarding income from employment legal relations of persons whose capacity for work is reduced by 50% or more, shall be decreased by 660 BGN, this being also applicable to the month in which the reduced capacity for work occurred and the month in which the term of validity of the decision thereon expires.

Tax Relief for Personal Contributions for Voluntary Insurance

Art. 19. (1) (amend. – SG 113/07, in force from 01.01.2008) The aggregate of the annual bases of taxation as per Art. 17 shall be reduced by the personal contributions made during the year for additional voluntary insurance, the total amount of this reduction being up to 10 percent of the aggregate of the annual bases of taxation under Art. 17, and by the personal contributions made during the year for voluntary health insurance, and by the premiums/contributions under life insurance contracts, the total amount of this reduction being up to 10 percent of the aggregate of the annual bases of taxation as per Art. 17.

(2) (amend. – SG 113/07, in force from 01.01.2008) The monthly base of taxation as per Art. 42, para 2 regarding income from employment legal relations shall be reduced by the personal contributions, made within the month through an employer, for additional voluntary insurance, the total amount of this reduction being up to 10 percent of the monthly base of taxation as per Art. 42, para 2, and by the personal contributions, made within the month at the expense of the person, for voluntary health insurance, and by the premiums/contributions under life insurance contracts, the total amount of this reduction being up to 10 percent of the monthly base of taxation as per Art. 42, para 2.

(3) The tax relief referred to in paras. 1 and 2 shall be enjoyed in those cases where, according to the contract concluded with the insurance company, the natural person – bearer of the obligation to pay tax is an insured person.

(4) The tax relief referred to in paras. 1 and 2 shall also be enjoyed in those cases where, by way of an agreement with the persons, the insurance company has been changed and the funds accumulated until that time have been transferred through a bank.

Tax Relief for Personal Contributions for Insurance Length of Service

Art. 20. (suppl. – SG 113/07, in force from 01.01.2008; amend. – SG 31/11, in force from 01.01.2011) The aggregate of the annual bases of taxation as per Art. 17 shall be reduced by the insurance contributions referred to in Art. 9a of the Social Insurance Code, these contributions being made during the year at the person's expense.

Tax Relief Sequence

Art. 21. (amend. – SG 113/07, in force from 01.01.2008) Tax relieves as per Art. 18, para 1, Art. 19, para 1 and Art. 20 shall be used in the following sequence:

1. from the aggregate of the annual bases of taxation as per Art. 25, 30, 32, 34 and 36;
2. (amend. – SG 31/11, in force from 01.01.2011) from the annual basis of taxation under Art. 28, para 1.

Tax Relief for Donations

Art. 22. (1) (amend. – SG 113/07, in force from 01.01.2008) The aggregate of the annual bases of taxation as per Art. 17 shall be reduced by the donations made during the year:

1. (amend. – SG 113/07, in force from 01.01.2008) (amend. – SG 113/07, in force from 01.01.2008) up to 5 percent where the donation is in favour of:

a) healthcare establishments referred to in Art. 21, para 2, items 1 to 3 from the Law of Health;
b) medical treatment establishments;
c) (amend. – SG 51/11) specialized institutions for the provision of social services under the Law on Social Support, and the Social Support Agency, and the Social Protection Fund with the Minister of Labour and Social Policy;

d) specialized institutions for children under the Law on Child Protection, and public establishments for raising children who are deprived of parent's care, under the Law on Public Education;

e) public nurseries, kindergartens, schools, higher schools and academies;

f) state-budget enterprises within the meaning of the Accounting Law;

g) religions registered within the country;

h) specialized enterprises or cooperative societies of persons with disabilities, which are entered in the Register referred to in Art. 29 of the Law on the Integration of Persons with disabilities, and in favour of the Agency for Persons with Disabilities;

i) the Bulgarian Red Cross;

j) cultural institutions, library clubs and for the purpose of cultural, educational or scientific exchange under an international treaty, the Republic of Bulgaria being a party thereto;

k) not-for-profit legal entities registered in the Central Register of not-for-profit legal entities for the purpose of carrying out activities for the public benefit, with the exception of those organizations which support culture within the meaning of the Law on Patronage;

l) (suppl. – SG 35/11, in force from 03.05.2011) the Power Efficiency and Renewable Sources Fund;

m) communes for treatment of drug addicts;

n) (new - SG 106/08, in force from 01.01.2009) the United Nations Children's Fund (UNICEF).

2. up to 15 percent for donation in favour of culture;

3. (suppl. – SG 95/09, in force from 01.01.2010; amend. - SG 99/11, in force from 01.01.2012) up to 50 percent where the donation is in favour of the "Fund for Treatment of Children" Centre and/or "Assisted Reproduction Fund" Center.

(2) The total amount of the tax relief for donations may not exceed 65 percent of the aggregate of the annual bases of taxation referred to in para. 1.

(3) In those cases where the donation is in a non-pecuniary form, the amount thereof shall be the price of acquisition shown in the donator's documents of acquisition of the object of donation on condition that the acquisition took place within three months prior to the date of donation. Otherwise the amount of donation shall be the market price as at the date of granting the object of donation.

(4) The date of making the donation shall be the date on which the donee acquires the donation within the meaning of Art. 11.

(5) (revoked – SG 113/07, in force from 01.01.2008; new – SG 32/09, in force from 01.01.2010) Tax relieves for donees shall also be applied to donations made in favour of persons, identical or similar to the ones specified in para 1, established in another Member State of the European Union or a state – party to the Agreement on the European Economic Area.

Tax Relief for Young Families

Art. 22a. (revoked – SG 95/09, in force from 01.01.2010; new – SG 99/09, in force from

01.01.2010) Local natural persons may use tax relief for young families by deducing from the amount of annual tax bases under Art. 17 the interest installments made during the year to a mortgage credit for purchase of housing, where all of the following requirements are met:

1. the mortgage credit contract is signed by a taxable person and/or spouse in civil marriage;
 2. the taxable person and/or the spouse have more than 35 years of age at the date of signing the mortgage credit contract;
 3. the mortgaged housing is the only housing of the family during tax year.
- (2) When the amount of the mortgage credit is more than BGN 100 000, the tax relief under Para 1 may be used for interest payments made during the year to the first BGN 100 000 of the capital.
- (3) The tax relief shall be used up to the sum of the annual tax bases under Art. 17 and provided that the taxable person provides a declaration in writing from the spouse that will not use the tax relief for the respective tax year.
- (4) The circumstances and conditions under Para 1 – 3 shall be stated by the person in the annual tax statement under Art. 50.

Enjoyment of Tax Relief

Art. 23. Tax relief shall be enjoyed on the grounds of filing the annual tax return referred to in Art. 50, the following being attached thereto:

1. (amend. – SG 95/09, in force from 01.01.2010) a copy of a valid decision of the Medical Expert Commission on Employment Matters/ Medical Expert Commission for Children / National Expert Commission on Employment Matters – for the tax relief referred to in Art. 18;
2. copies of documents evidencing that the contributions have been made – for the tax relief referred to in Art. 20;
3. (revoked – SG 113/07, in force from 01.01.2008)
4. (suppl. – SG 32/09, in force from 01.01.2010) copies of documents evidencing that the donee belongs to those specified in Art. 22, para 1 and that the object of donation has been received – for the tax relief referred to in Art. 22, para 1;
5. (new - SG 106/08, in force from 01.01.2009; revoked – SG 95/09, in force from 01.01.2010; new – SG 99/09, in force from 01.01.2010) a document issued by the crediting bank certifying the amount of the interest payments made during the year on the first BGN 100 000 of the capital of the mortgage credit for purchase of housing – for the tax relief under Art. 22a;
6. (new – SG 32/09, in force from 01.01.2010) an official legalized document, certifying the status of the person receiving the donation, issued or verified by a competent authority of the respective foreign country, along with a translation in Bulgarian language, carried out by a certified translator – in the cases referred to in Art. 22, para 5.

Chapter five. ANNUAL BASES OF TAXATION

Section I. Income Originating from Employment Relationships

Taxable Income

Art. 24. (1) The taxable income originating from employment relationships shall be the labour remuneration and all other payments in cash and/or in kind made by the employer or at the expense of the employer, with the exception of the income referred to in para. 2.

- (2) The taxable income originating from employment relationships shall not include:

1. the amount of:

a) free food and/or food additives provided in kind under Art. 285 of the Labour Code;

b) free detoxifying food and detoxicants provided in kind in accordance with procedures set forth in other laws;

c) free food provided in kind to: members of ship crews – for the days the ship is in operation; fishermen – for the days of fishing; divers – for the days of diving; the personnel on 12 hours' duty in medical treatment establishments; the surgery teams; the first-aid teams; and the blood donation teams;

d) (suppl. - SG 28/08; amend. – SG 35/09, in force from 12.05.2009; amend. - SG 16/10, in force from 26.02.2010) free food provided to military men and civilian employees in accordance with Art. 224, para 1, item 3 and Art. 286, para 1, items 1 and 2 of the Law on Defence and Armed Forces of the Republic of Bulgaria and the officials and to the employees according to Art. 74, Para 2, Item 1 of the Law on State Agency "National Security";

e) (suppl. - SG 28/08; amend. and suppl. - SG 43/08; amend. SG 25/09, in force from 01.06.2000; amend. – SG 35/09, in force from 12.05.2009; amend. and suppl. - SG 16/10, in force from 26.02.2010) food allowance money paid on the grounds of the Law on Civil Aviation, the Law on Execution of Penalties and Detention, the Law on State Agency "National Security", the Law of Defence and Armed Forces of the Republic Of Bulgaria and of the amounts under Art. 204, para. 1 of the Law on the Ministry of the Interior;

f) the vouchers for food received in accordance with the procedure set forth in the Law on Corporate Income Taxation;;

2. the value of the special work clothes and the personal means of protection provided in kind and in accordance with the conditions and procedure set forth in a statutory instrument;

3. the value of the work clothes, uniforms and formal dress clothes provided in kind and in accordance with the conditions and procedure set forth in a statutory instrument;

4. (amend. and suppl. - SG 28/08) the chattels and accoutrements provided on the grounds of the Law on the Ministry of the Interior, the Law on Defence and Armed Forces of the Republic of Bulgaria and the Law on State Agency "National Security";

5. the amount of:

a) travelling and accommodation allowances for a business trip, the amount thereof being evidenced by way of documents in accordance with the operative legislation;

b) daily allowances for a business trip, not exceeding the double amount specified in a statutory instrument;

6. (amend. and suppl. – SG 113/07, in force from 01.01.2008) the additional expenses on food that are paid instead of daily allowances to the employees working in the bus and railway transport, dining-cars, travelling post-offices, as well as to travelling security guards, and for other similar activities in which the official duties are performed in the course of travelling to another settlement or another site – up to the double size of the minimum amounts of the additional expenses specified in a statutory instrument;

7. (amend. and suppl. - SG 28/08; amend. – SG 35/09, in force from 12.05.2009; amend. - SG 16/10, in force from 26.02.2010) the compensatory amounts referred to in Art. 226c, para. 1 and Art. 298a of the Law of Defence and Armed Forces of the Republic of Bulgaria, under Art. 210 of the Law on the Ministry of the Interior and under Art. 81 of the Law on State Agency "National Security";

8. (amend. – SG 64/07; suppl. - SG 28/08; amend. – SG 35/09, in force from 12.05.2009; amend. – SG 95/09, in force from 01.01.2010) the indemnities referred to in Art. 200, Art. 216, para. 1, items 1 and 2, paras. 2 and 3, Art. 222, paras. 2 and 3, and Art. 226, para. 3 of the Labour Code, the indemnities referred to in Arts. 227, 229 and 232 of the Law on Defence and Armed Forces of the Republic of Bulgaria, those referred to in Art. 204, para. 4, and Art. 252 of the Law on the Ministry of the Interior, under Art. 74, Para 4 and Art. 117 of the Law on State Agency "National Security", those referred to in Art. 225, Art. 277, para. 3 and Art. 354 of the Judiciary Law, and the indemnities referred

to in Art. 78, Art. 81 "b", para. 4, Art. 82, para. 5, Art. 85, para. 5, Art. 104, paras. 3 and 4, and Art. 106, para. 3 of the Civil Servant Law;

9. those social expenses at the account of the employer which are subject to taxation in accordance with the procedure set forth in the Law on Corporate Income Taxation, as well as those expenses on transport from the employee's residential address to the place of work at the account of the employer which are not subject to taxation under the Law on Corporate Income Taxation;

10. the one-off aid for medical treatment provided by the employer at the expense of the social expenses – up to the amount due for the medical treatment;

11. (amend. – SG 113/07, in force from 01.01.2008) the amount of the one-off aid provided by the employer at the account of the social expenses in the following cases: delivery of a child, conclusion of a civil marriage, death of a member of the family – up to BGN 2400 in total;

12. (amend. – SG 113/07, in force from 01.01.2008) the social expenses made by the employer up to BGN 60 per month per each insured person for contributions/premiums for additional voluntary insurance, voluntary health insurance and/or life insurance reported by the establishments and commercial representative offices, regardless to whether the latter carry out business activities or not;

13. the expenses the employer has made for the insurance that a statutory instrument has set out as being mandatory insurance;

14. (amend. – SG 113/07, in force from 01.01.2008; amend. – SG 100/10, in force from 01.01.2011) the indemnities and aids under Part One of the Social Insurance Code, including the ones, paid on the grounds of Art. 40, para 5 of the same Code;

15. the pecuniary and non-pecuniary awards granted on the grounds and in accordance with the procedure set forth in a statutory instrument;

16. (suppl. - SG 28/08; amend. – SG 35/09, in force from 12.05.2009; amend. - SG 16/10, in force from 26.02.2010) the cash reserves referred to in Art. 226h and 298a of the Law on Defence and Armed Forces of the Republic of Bulgaria, under Art. 204, para. 5 of the Law on the Ministry of the Interior and under Art. 76, Para 1 of the Law on State Agency "National Security".

Annual Basis of Taxation

Art. 25. (1) (suppl. – SG 113/07, in force from 01.01.2008; prev. Art. 25 - SG 95/09, in force from 01.01.2010) As far as the employment relationships are concerned, the annual basis of taxation shall be determined as follows: the taxable income referred to in Art. 24 received by the taxable person during the year of taxation shall be reduced by the mandatory insurance contributions withheld by the employer at the expense of the natural person, in accordance with the Social Insurance Code and the Health Insurance Law, as well as by the mandatory insurance contributions, deposited abroad, which are at the expense of the natural person.

(2) (new – SG 95/09, in force from 01.01.2010) The annual basis of taxation under par. 1 of self-employed persons having received income under employment contracts as per § 1, item 26, item "i", of the Supplementary provisions, shall be reduced also by the insurance contributions, which the self-employed person is obliged to make in the taxation year at his/her expense pursuant to the provisions of the Code of Social Insurance and the Law for the Health Insurance.

(3) (new – SG 95/09, in force from 01.01.2010) The annual basis of taxation of the income, received by a marine person, shall be 10 per cent of the annual basis of taxation determined under par. 1.

Section II.

Income Originating from Business Activities as a Sole Proprietor

Taxable Income

Art. 26. (1) The taxable income originating from business activities as a sole proprietor shall be the profit determined in accordance with the procedure set forth in the Law on Corporate Income Taxation, the said profit including the financial result from the transfer of the establishment of the sole proprietor without his/her being removed from the Commercial Register.

(2) The taxable income referred to in para. 1 shall not include the accounting financial result originating from the following activities:

1. those activities which are subject to alternative taxes laid down in the Law on Corporate Income Taxation;

2. (amend. – SG 113/07, in force from 01.01.2008) those activities which are subject to a patent tax pursuant to the Law for Local Taxes and Fees;

3. (revoked – SG 95/09, in force from 01.01.2010)

(3) In determining the profit, the sole proprietors shall apply the provisions of the system of carrying forward of the tax loss in accordance with the Law on Corporate Income Taxation.

(4) For the purposes of determining the taxable income referred to in para. 2, the portion of the non-distributable income/expenses corresponding to the activities under para. 2 shall be determined by way of multiplying the total amount of the non-distributable income/expenses by the ratio of net revenues from sales concerning the activities referred to in para. 2 to the total net revenues from sales.

(5) Those sole proprietors that carry out activities which are subject to an alternative tax within the meaning of the Law on Corporate Income Taxation shall be subject to taxation under the conditions and in accordance with the procedure set forth in the said Law.

(6) (new - SG 106/08, in force from 01.01.2009) The taxable profit under Para 1 shall include also the excess above the double amount specified in a normative act of the business trip funds of the owner of the undertaking or the sole entrepreneur.

(7) (prev. text of Para 06, amend. - SG 106/08, in force from 01.01.2009) The procedure set forth in paras. 1 through 6 shall also apply to the income originating from the business activity of a natural person who is a trader within the meaning of the Commercial Law, without being registered as a sole proprietor.

Using Personal Property of Natural Persons in Their Activities as Sole Proprietors

Art. 27. (1) The natural person who is the owner of the establishment of the sole proprietor shall be entitled to include in the sole proprietor's property any items of movable and immovable property providing that they:

1. are not placed under a regime of joint ownership, or

2. form part of matrimonial tenancy by the entirety.

(2) The items of movable and immovable property referred to in para. 1 shall be entered in the accounting of the sole proprietor at their acquisition price, the latter being evidenced by way of documents.

(3) In the cases referred to in para. 1 the natural person who is the owner of the establishment of the sole proprietor shall draw up a record showing the type of the item of property and the price referred to in para. 2.

(4) In the cases referred to in para. 1, item 2 the other spouse shall state by way of a notarized declaration his/her consent for the said item's being included in the property of the sole proprietor.

(5) in those cases where, subsequently, the item referred to in para. 1 happens to be excluded from the property of the sole proprietor and is transferred to the natural person-owner, for tax purposes it shall be considered that the natural person-owner of the sole proprietor sells the said item of property at its market price, regardless of the circumstances referred to in Art. 13. The taxable income shall be determined as the difference between:

1. the market price and the taxable value – for taxable amortizable assets under the Law on

Corporate Income Taxation;

2. the market price and the acquisition price evidenced by way of documents – for any other item of property.

(6) Those temporary tax differences within the meaning of the Law on Corporate Income Taxation which are connected with an item of property referred to in para. 1 shall not be recognized for tax purposes at the time of the sale under para. 5, neither shall they be recognized during the subsequent years.

(7) The market price referred to in para. 5 shall be regarded as an acquisition price in the cases of a subsequent sale or exchange of the item of property on the part of the natural person-owner, this being also valid in the cases of a subsequent application of para. 2.

Annual Basis of Taxation

Art. 28. (amend. – SG 113/07, in force from 01.01.2008) (1) The annual basis of taxation regarding business activities as a sole trader shall be determined by decreasing the taxable income referred to in Art. 26 for the year of taxation by the contributions due by the self-insured person at his/her expense for the year of taxation by virtue of the Social Insurance Code and the Health Insurance Law and by the mandatory insurance contributions, deposited abroad, which are at the expense of the natural person.

(2) The annual basis of taxation under para 1 shall be reduced by:

1. personal contributions for additional voluntary insurance made during the year amounting up to 10 percent in total of the annual basis of taxation under para 1, as well as by the personal contributions for voluntary health insurance made during the year and premiums/installments under life assurance contracts amounting up to 10 percent in total of the annual basis of taxation under para 1;

2. the difference between BGN 7920 and the amount of the relief used as per Art. 18, para 1, including the year during which the reduced capacity for work has occurred and the year during which the term of the decision has expired - with regards to persons whose capacity for work is reduced by 50% or more, this percentage being determined by way of an effective decision of a competent body;

3. (amend. – SG 31/11, in force from 01.01.2011) the difference between the insurance contributions referred to Art. 9 of the Social Insurance Code and the amount of the relief used as per Art. 20.

Section III.

Income Originating from Other Business Activities

Taxable Income

Art. 29. (1) (amend. – SG 113/07, in force from 01.01.2008; prev. text of Art. 29 – SG 31/11, in force from 01.01.2011) The taxable income originating from business activities of those natural persons who are not traders within the meaning of the Commercial Law shall be determined by way of subtracting the operating expenses from the income received, the operating expenses being as follows:

1. (new – SG 95/09, in force from 01.01.2010) by 60 per cent for income from the activity of natural persons, registered as tobacco producers and agricultural producers, for the production of non-processed agricultural products, except for the income from production of decorative plants;

2. (prev. item 1 - SG 95/09, in force from 01.01.2010) by 40% for :

a) (amend. - SG 95/09, in force from 01.01.2010) income originating from the activity of natural persons for production of processed or unprocessed agricultural products (including from sale of manufactured decorative vegetation), from forestry industry (including from picking medicinal herbs, mushrooms and fruits), from game husbandry and fish industry;

b) author's and licence remuneration, including the income originating from the sale of inventions, works of science, culture and art, providing that the said sale has been carried out by the authors thereof, as well as income originating from the performance of actors-performers;

c) income originating from craftsmanship which is subject to a patent tax pursuant to the Law for Local Taxes and Fees;

3. (prev. item 2 - SG 95/09, in force from 01.01.2010) by 25 % for the income originating from working as a freelance practitioner and for the income originating from legal relationships other than the employment ones.

(2) (new – SG 31/11, in force from 01.01.2011) In the taxable income under para 1 shall not be included any income which has been used in the formation of the taxable income pursuant to Art. 26 for previous tax years.

Taxation of income from business activity of individuals registered as tobacco producers and farmers

Art. 29a. (new – SG 31/11, in force from 01.01.2011) (1) The taxable income from business activity of natural persons registered under the Law on Value Added Tax who are also registered as tobacco producers and farmers shall be calculated pursuant to Art. 26 and shall be levied by a tax on the annual tax base.

(2) Where within the current tax year a natural person registers or deletes his/her registration under Law on Value Added Tax, the income from business activity shall be levied as per para 1 for the whole tax year. The tax for income acquired prior to the registration date, which has been deducted and/or deposited, shall be deducted upon calculation of the quarterly prepayments pursuant to the Law on the Corporate Income Taxation, and of the tax as per Art. 48, para 2.

(3) Natural persons registered as tobacco producers and farmers who are not registered under the Law on Value Added Tax may choose their income from business activity to be levied pursuant to para 1.

(4) The persons referred to in para 3 shall exercise their right to be levied pursuant to para 1 by submitting a declaration in a form till December 31 of the previous year.

(5) The persons referred to in para 3 who have chosen to be levied under para 1, shall implement this taxation procedure for a period of at least 5 consecutive tax years.

(6) The persons referred to in paras 1 and 3 who calculate their taxable income pursuant to Art. 26, shall apply the Accountancy Law and in this case shall be equated with sole traders.

(7) The taxable income as per Art. 26, para 1 shall not include the financial result for income which according to Art. 11 have been acquired during tax years, preceding the tax year in which commences the taxation of the income by a tax under Art. 14, para 2 regarding which the revenue arises and has to be charged within the period of taxation by the same tax.

(8) The taxable income as per Art. 26, para 1 shall include the financial result for income which according to Art. 11 are acquired during the period of taxation by the tax under Art. 14, para 2 and which are not taken into account upon formation of the accounting financial result for the year of acquisition or subsequent years.

Annual Basis of Taxation

Art. 30. (amend. – SG 113/07, in force from 01.01.2008) The annual basis of taxation is determined as follows: the taxable income referred to in Art. 29 that was received in the course of the year of taxation is decreased by the amount of those contributions due by the self-insured person during the year at his/her own expense, and if the person is not a self-insured one the taxable income is decreased by those mandatory insurance contributions which were made at his/her expense in

accordance with the procedure set forth in the Social Insurance Code and the Health Insurance Law, as well as by mandatory insurance contributions, deposited abroad, which are at the expense of the natural person.

Section IV.

Income Originating from Rent or Any Other Granting of the Use of Rights or Property for Consideration

Taxable Income

Art. 31. (1) (amend. – SG 113/07, in force from 01.01.2008) The taxable income originating from rent or any other granting of the use of movable or immovable property for consideration shall be determined by way of decreasing the income received by the expenses amounting to 10 percent.

(2) The instalments received under a lease contract which does not explicitly provide for the transfer of ownership of the property shall be regarded as income originating from rent under para. 1.

(3) The taxable income originating from the remuneration under franchising contracts and factoring contracts, as well as under other contracts concerning the granting of enjoyment of rights, shall be determined in accordance with the procedure set forth in para. 1.

Annual Basis of Taxation

Art. 32. (suppl. - SG 99/11, in force from 01.01.2012) The annual basis of taxation for local natural persons' income originating from rent or any other granting of the use of rights or property shall be determined by way of decreasing the taxable income referred to in Art. 31, the said income being received during the year of taxation, by those contributions which the person was obligated to make during the year of taxation at his/her own expense in accordance with the procedure set forth in Art. 40, Para 5 of the Health Insurance Law.

Section V.

Income Originating from the Transfer of Rights or Property

Taxable Income

Art. 33. (1) The taxable income originating from a sale or exchange of immovable property, including limited property rights on such property, shall be determined by way of decreasing the positive difference between the sale price and the acquisition price of the property by the expenses amounting to 10 percent.

(2) The taxable income shall be the positive difference between the sale price and the acquisition price in the cases of sale or exchange of:

1. road, air and water means of transport;
2. works of art, objects for collections and antiquities.

(3) The taxable income originating from the sale or exchange of stocks, shares, compensatory instruments, investment bonds and other financial assets, as well as the income originating from trade in foreign currency shall be equal to the aggregate of the profit realized during the year under each specific transaction decreased by the amount of the losses realized during the year under each specific transaction.

(4) The realized profit/loss referred to in para. 3 for each specific transaction shall be determined by way of decreasing the sale price by the acquisition price of the financial asset. In those cases where the financial assets of the same type issued by the same person have different acquisition prices, and later on a part thereof is sold, and it cannot be proved which part has been sold, the

acquisition price of each of those assets shall be the average weighted price determined on the grounds of the acquisition price of those financial assets of the same type and issued by the same issuer that are held as at the date of the sale.

(5) The sale price shall comprise everything acquired by the person in connection with the sale/exchange, including any remuneration in a non-pecuniary form.

(6) The price of acquisition referred to in paras. 1, 2 and 4 shall be as follows:

1. the acquisition price of the property evidenced by way of documents;

2. the acquisition price of the property evidenced by way of documents increased by any additional payment due by the natural person, the said additional payment being evidenced by way of documents – in those cases in which the exchange is accompanied by an additional payment;

3. (suppl. – SG 113/07, in force from 01.01.2008) zero – in those cases where no acquisition price of the property has been evidenced by way of documents, including the property acquired as donation, or stocks and shares acquired in the course of distribution of profit or any other source of equity; The acquisition price under para 1 shall also be zero in case of subsequent sale or exchange of the real estate as per item 8, including limited property rights on such property;

4. additional payment due by a natural person, the said additional payment being evidenced by way of documents – in those cases of exchange with additional payment in which no acquisition price of the property has been evidenced by way of documents;

5. (suppl. SG 95/09, in force from 01.01.2010) the portion of the non-pecuniary contribution entered in the Deed of Incorporation, or the Articles of Association, or the Statutes of the commercial company which corresponds to the stocks and shares that have been sold or exchanged – in those cases where non-pecuniary contributions have been made in the commercial company, where the contribution's subject is property, the income from the sale or exchange of which are non-taxable pursuant to Art. 13, par. 1 as of the date of entering of the contribution into the trade register;

6. the market price referred to in Art. 10, para. 4 of the property acquired in the course of an exchange – in the cases of sale/exchange of property acquired by way of exchange;

7. the acquisition price of the property evidenced by way of documents, updated as at the year 1997 on the grounds of the common index of consumer prices announced by the National Statistical Institute – in the cases of sale or exchange of property acquired prior to 1 January 1998;

8. (new – SG 113/07, in force from 01.01.2008) the acquisition price of the property evidenced by way of documents, corresponding to the part with regards to which right of construction has been established – in those cases where right of construction has been established;

9. (new - SG 95/09, in force from 01.01.2010) the price of acquisition of the property – subject to non-monetary contribution in the trade company, evidenced by documents – in cases of sale or exchange of shares and stock, obtained against non-monetary contributions in a trade company, except for the cases under item 5.

(7) In those cases where the sale price referred to in para. 1 is paid in parts in the course of several years of taxation, the taxable income per each of the said years of taxation shall be determined in accordance with the following formula:

$$TITY = [(SP - AP) - 0,10 \times (SP - AP)] \times \frac{PRP}{SP}$$

where:

TITY is the taxable income for the specific year of taxation;

SP is the sale price;

AP is the price of acquisition;

PRP is the partially received payment during the year of taxation.

(8) In those cases where the sale price referred to in para. 2 is paid in parts in the course of several years of taxation, the taxable income per each of the said years of taxation shall be determined in

accordance with the following formula:

$$\text{TITY} = (\text{SP} - \text{AP}) \times \frac{\text{PRP}}{\text{SP}}$$

where:

TITY is the taxable income for the specific year of taxation;

SP is the sale price;

AP is the price of acquisition;

PRP is the partially received payment during the year of taxation.

(9) The income received in connection with the granting of property under a lease contract which explicitly provides for a transfer of the ownership of property shall be subject to taxation regardless of the circumstances referred to in Art. 13. The taxable income shall be determined in accordance with the following formula:

$$\text{TITY} = [(\text{CP} - \text{AP}) - 0,10 \times (\text{CR} - \text{AP})] \times \frac{\text{CR}}{\text{CP}}$$

where:

TITY is the taxable income for the specific year of taxation;

CP is the contract price of the property;

AP is the price of acquisition;

CR is the contributions received in the course of the year of taxation excluding the interest contained therein.

(10) (new – SG 113/07, in force from 01.01.2008) At termination of a leasing contract, explicitly providing that the transfer of right of ownership of the property shall be carried out before the contract's term expires and that the ownership of the movable or immovable property – subject of the contract, the non-refundable leasing installments shall be considered as income from property, acquired by the moment of termination. The taxable income, determined pursuant to Art. 31, shall be reduced by the taxable income calculated according to the formula of para 9, provided that in this case "PRP" is the sum of the non-refundable installments under the leasing contract, received during previous years of taxation.

(11) (prev. text of para 10 – SG 113/07, in force from 01.01.2008) In the cases of transfer of a sole proprietor's establishment accompanied by a removal of the sole proprietor from the Register, the taxable income shall be the positive difference between the sale price agreed under the contract and the equity of the establishment.

Annual Basis of Taxation

Art. 34. The annual basis of taxation of income originating from the transfer of rights or property shall be the taxable income referred to in Art. 33 that was received during the year.

Section VI. Income Originating from Other Sources

Taxable Income

Art. 35. The taxable income shall be the gross amount of the taxable income received during the year of taxation originating from:

1. compensation for loss of profit and indemnities of that nature;

2. pecuniary and non-pecuniary awards in games and competitions, these awards not being provided by an employer or an assignor;
3. interest, including the interest contained in lease instalments;
4. production dividends from cooperative societies;
5. the exercise of intellectual property rights as a legal successor;
6. any other sources that have not been explicitly specified in this Law and are not subject to final taxes under this Law or to final taxes under the procedure set forth in the Law on Corporate Income Taxation.

Annual Basis of Taxation

Art. 36. (suppl. - SG 99/11, in force from 01.01.2012) The annual basis of taxation of the income originating from other sources shall be determined by decreasing the taxable income referred to in Art. 35 received during the year of taxation by the contributions due by the person at his/her own expense during the year of taxation in accordance with the procedure set forth in Art. 40, Para 5 of the Health Insurance Law.

Part three. FINAL TAXES

Chapter six.

FINAL TAX ON INCOME ORIGINATING FROM A SOURCE IN BULGARIA OR ABROAD

Taxation of the Income of Foreign Persons

Art. 37. (1) (suppl. – SG 113/07, in force from 01.01.2008; suppl. – SG 94/10, in force from 01.01.2011) Regardless of the circumstances referred to in Art. 13, the income referred to in Art. 8, Para 11 and the following income originating from a source in Bulgaria that is due/paid in favour of a foreign natural person, in case it has not been realised by a base, calculated in the state, shall be subject to a final tax:

1. compensation for loss of profit and indemnities of that nature;
2. scholarships awarded for training within the country and abroad;
3. interest, including the interest contained in lease instalments;
4. the income originating from rent or any other granting of the use of movable or immovable property, including the instalments under a lease contract which does not explicitly provide for the transfer of the ownership of property;
5. remuneration under franchising contracts and factoring contracts;
6. author's and licence remuneration;
7. remuneration for technical services;
8. (amend. – SG 113/07, in force from 01.01.2008) awards and remuneration for activity carried out inside the territory of the country by foreign natural persons – public figures, scientific workers, eminent figures in arts, culture and sport, including those cases in which the income has been due or paid through a third person, such as an impresario agency, producer's firm or another intermediary;
9. income originating from management and supervision of establishments, and from the participation in management and supervisory bodies of establishments;
10. income originating from sale, exchange or any other transfer of immovable property for consideration;
11. (suppl. – SG 113/07, in force from 01.01.2008) instalments under a lease contract which

explicitly provides for the transfer of ownership and real estate;

12. income originating from the sale or exchange or any other transfer for consideration of stocks, shares, compensatory instruments, investment bonds and other financial assets, with the exception of the income originating from the exchange referred to in Art. 38, para. 5.

(2) (amend. – SG 113/07, in force from 01.01.2008; suppl. – SG 94/10, in force from 01.01.2011) The final tax on the income referred to in para. 1, items 1 through 9 shall be determined on the grounds of the gross amount of the due/paid income.

(3) (new – SG 113/07, in force from 01.01.2008) Final tax on the income referred to in para. 1, items 10 and 11 and in Art. 8, Para 11 shall be determined on the grounds of the positive difference between the sale price and the acquisition price of the property, evidenced by documents, reduced by 10 percent costs.

(4) (new – SG 113/07, in force from 01.01.2008) Final tax on the income referred to in para. 1, item 12 shall be determined on the grounds of the positive difference between the sale price and the acquisition price of the property, evidenced by documents.

(5) (new – SG 113/07, in force from 01.01.2008) In case part of the sale price has been paid, at calculation of the final tax on sale price and price evidenced by way of documents of the property acquisition as per para 3 and 4 shall be accepted the received part of the sale price and the corresponding part of the acquisition price evidenced by way of documents.

(6) (new – SG 113/07, in force from 01.01.2008) At termination of a leasing contract, explicitly providing that the transfer of right of ownership of the property shall be carried out before the contract's term expires and that the ownership of the movable or immovable property – subject to the contract, the non-refundable leasing installments shall be considered as income from property, acquired by the foreign natural person by moment of termination. The final tax deposited under para 1, item 3 and 11 by the moment of termination of the leasing contract shall be reduced by the final tax due according para 1, item 4.

(7) (prev. text of para 3 – SG 113/07, in force from 01.01.2008; amend. - SG 106/08, in force from 01.01.2009) No final tax shall be due on the income referred to in para. 1 providing that it is exempt from taxation under Art. 13 and is due/paid in favour of foreign natural persons that are established for tax purposes in a Member State of the European Union, or a Member State of the European Economic Area.

(8) (prev. text of para 4 – SG 113/07, in force from 01.01.2008; amend. - SG 106/08, in force from 01.01.2009) The circumstances referred to in para. 7 shall be evidenced to the payer of the income by way of a document issued by the tax administration of the State in which the person is settled for tax purposes and a declaration of the recipient of the income stating the presence of the circumstances referred to in Art. 13.

Re-calculation of the final tax under Art. 37

Art. 37a. (new - SG 95/09, in force from 01.01.2010) (1) A foreign natural person, which is a local person for tax purposes of an European Union Member State or of another country – a party under the European Economic Area Agreement, shall have the right to choose to recalculate the final tax on the income under Art. 37. Where the foreign person chooses to recalculate the final tax, the recalculation shall be done for all received by the person income within the year, subject to taxation by the final tax under Art. 37.

(2) Where the foreign person chooses to recalculate the final tax on the income under Art. 37, the recalculated tax shall be equal to the tax on the total annual basis of taxation or to the tax on the annual basis of taxation under Art. 28, which would be payable for this income, provided that they have been received by a local natural person. Where the foreign person has incurred expenses related to the income referred to in the first sentence, for which a tax would be payable on the expenses pursuant to

the provisions of the Law for the corporate income tax, provided that they have been incurred by a local natural person, the amount of the recalculated tax shall be increased by this tax.

(3) Where the amount of the deposited final tax on the income under Art. 37 exceeds the amount of the recalculated tax under par. 2 for the same income, the difference shall be subject to refund to the amount of the final tax under Art. 37, which the foreign person may not deduct from the due tax on this income in the country, in which the person is deemed local for tax purposes.

(4) The choice of recalculating of the final tax under Art. 37 shall be exercised by submitting the annual tax return under Art. 50. The tax return shall include also all other proceeds subject to declaration by the foreign natural person.

(5) The refund of the tax under par. 3 shall be done following the provisions of the Code of Tax Insurance Procedure.

(6) Paragraphs 1 – 5 shall not apply in the cases, where the foreign person is a local person for tax purposes of a country – a party under the European Economic Area Agreement, which is not an European Union Member State, with which the republic of Bulgaria:

1. does not have an enforced agreement for avoidance of double taxation, or
2. has got an enforced agreement for avoidance of double taxation, where the following is not provided:

- a) information exchange, or
- b) cooperation in collection of taxes.

Income of Local and Foreign Natural Persons

Art. 38. (1) (amend. - SG 99/11, in force from 01.01.2012) A final tax shall be due on the taxable income from:

1. dividends in favor of a sole entrepreneur;
2. dividends and liquidation shares in favour of:
 - a) a local or foreign natural person where the income originates from a source in Bulgaria;
 - b) a local natural person where the income originates from a source abroad.

(2) The final tax on the income from dividends shall be determined on the gross amount, the latter being the amount shown in the dividend distribution decision.

(3) (amend. - SG 99/11, in force from 01.01.2012) The final tax on the income from dividends in the form of concealed distribution of profit shall be determined on the gross amount of the charged amounts.

(4) The final tax on the income from liquidation shares shall be determined on the positive difference between the value of the liquidation share and the acquisition price in the company/cooperative society, the said price being evidenced by way of a document.

(5) (amend. – SG 113/07, in force from 01.01.2008) A final tax shall be due on the taxable income originating from the exchange of stocks and shares in connection with the transformation of companies as per Chapter nineteen, section II of the Law on Corporate Income Taxation:

1. by local natural persons in the cases of exchanging stocks and shares in local commercial companies for stocks and shares either in local commercial companies or in commercial companies abroad;

2. by local natural persons in the cases of exchanging stocks and shares in commercial companies abroad for stocks and shares either in commercial companies abroad or in local commercial companies;

3. by foreign natural persons in the cases of exchanging stocks and shares in local commercial companies for stocks and shares either in local commercial companies or in commercial companies abroad.

(6) The taxable income referred to in para. 5 shall be determined as at the time of the exchange

and shall be equal to the positive difference between the market price of the shares/stocks acquired in the exchange and the acquisition price under Art. 33, para. 6 of the stocks and shares in the company under transformation.

(7) The market price referred to in para. 6 shall be regarded as the acquisition price under Art. 33, para. 6 in the cases of a subsequent sale or exchange of the stocks and shares in the recipient company/the newly established company, as well as in the cases of a subsequent application of para. 6.

(8) A final tax shall be due on the gross amount of the taxable income originating from additional voluntary insurance, voluntary health insurance and life insurance, the said income being received on the date of:

1. reverse receipt of the amounts paid for life insurance;
2. reverse receipt of the amounts paid for voluntary health insurance, with the exception of the cases of recovery of the expenses made for medical treatment and provision of health services and goods to the insured person upon the occurrence of the events provided for in the health insurance contract;
3. receipt of the amounts paid for additional voluntary insurance prior to the acquisition of the right to additional pension;
4. transfer of amounts from the individual account to the account of a third person;
5. a change in an insurance contract turning it from a contract for which the relief referred to in Art. 19 was used into a contract for which it is impossible to use the said relief;
6. using the amount under an insurance contract for the extinguishment of a loan in those cases in which life insurance is used for securing a liability of a natural person.

(9) No final tax shall be due on the income referred to in para. 8 which corresponds to the portion of instalments/premiums for which no tax relief referred to in Art. 19 has been used.

(10) A final tax shall be due on the gross amount of a person's income originating from sale or exchange of movable property referred to in Art. 13, para. 1, item 2, point "d".

(11) (new – SG 19/11, in force from 08.03.2011) The taxable income from interest and loans to the cooperation acquired by a cooperation member shall be levied by final tax.

(12) (new - SG 99/11, in force from 01.01.2012) By final tax shall be levied the income from renting or other paid provision of condominium property having a general meeting of the owners as its form of management, due/paid by undertakings or self-insured persons.

Chapter seven.

TRANSITION FROM PATENT TAXATION TO TAXATION ACCORDING TO THE GENERALLY ESTABLISHED PROCEDURE (Title amend. – SG 113/07, in force from 01.01.2008)

Taxation of Income from Patent Activity According to the Generally Established Procedure

Art. 39. (amend. – SG 113/07, in force from 01.01.2008) (1) In the event that within the current year of taxation the grounds for application of patent tax pursuant to the Law for Local Taxes and Fees drop out, the income of natural persons, including sole proprietors, for the current year of taxation shall be subject to taxation according to the generally established procedure.

(2) In the cases referred to in para 1 those natural persons, including sole proprietors, shall not be liable for advance payments for the current year within the meaning of this Law.

(3) In those cases where within the current year of taxation the person gets deregistered under the Law on Value Added Tax, he/she shall be liable for tax in accordance with the general procedure set forth in this Law for the whole year of taxation.

Patent Tax Deduction

Art. 40. (amend. – SG 113/07, in force from 01.01.2008) (1) In those cases referred to in Art. 39, para 1 from the tax on the total annual basis of taxation for the income from business activities as a sole proprietor shall be deducted:

1. the patent tax due according to the Law for Local Taxes and Fees;
2. the paid patent tax, where by the date of submitting declaration that the grounds for taxation have dropped out, the person has deposited a patent tax for the current year of taxation, the amount of which exceeds the amount of the tax due.

(2) The amount of the patent tax under para 1 shall be certified by attaching the following documents to the annual tax return referred to in Art. 50:

1. a document, issued by the competent municipality – in those cases referred to in para 1, item 1, or
2. copies of documents, certifying the tax paid - in those cases referred to in para 1, item 2.

Tax Relief Relating to Taxation with a Final Annual (Patent) Tax

Art. 41. (revoked – SG 113/07, in force from 01.01.2008)

Part four.

AMOUNTS OF TAX. DETERMINING, WITHHOLDING AND PAYING THE TAX. TAX RETURNS

Chapter eight.

ADVANCE WITHHOLDING OF THE TAX

Advance Withholding of the Tax on Income Originating from Employment Relationships

Art. 42. (amend. – SG 113/07, in force from 01.01.2008) (1) The advance tax on income originating from employment relationships shall be determined monthly by the employer on the grounds of monthly basis of taxation.

(2) (suppl. – SG 95/09, in force from 01.01.2010) The monthly basis of taxation shall be determined by way of reducing the taxable income under Art. 24 for the respective month by the mandatory insurance contributions, which are withheld by the employer and are at the expense of the natural person, in accordance with the procedure set forth in the Social Insurance Code and the Law on Health Insurance or obligatory insurance abroad. The monthly basis for taxation of self-employed persons for income from employment legal relations under § 1, item 26, item “i” of the supplementary provisions shall be determined by deducing from the taxable income under Art.24, calculated for the respective month the deposited in advance by the company insurance contributions which the self-employed person is obliged to make on his/her expense following the provisions of the Code of Social Insurance and the Law for the Health Insurance.

(3) The monthly basis of taxation shall be reduced by:

1. the tax relief for reduced capacity for work referred to in Art. 18, para. 2;
2. the tax relief referred to in Art. 19, para. 2 in those cases where the amounts have been withheld by the employer upon paying the income originating from the employment relationship.

(4) (suppl. – SG 95/09, in force from 01.01.2010) The amount of the tax due shall be determined by multiplying the monthly basis of taxation by a tax rate of 10 percent, and for income received as a marine person – at a tax rate of 1 per cent.

(5) The tax referred to in para. 4 shall be withheld by the employer upon the final payment of the taxable income for the respective month.

(6) In those cases where in the course of the respective month only partial payments have been made for the said month or for another month, the employer shall contribute the tax referred to in para.4, determined on the gross amount of the aggregate of the partial payments.

(7) The tax contributed by the employer under para. 6 shall not be withheld from the partial payment, and shall be deducted from the tax withheld under para. 5.

(8) Paragraph 6 shall not apply to partial payments for the respective month in those cases where the full amount of the employment relationship income due by the employer for the respective month is paid prior to the end of the following month.

(9) The tax referred to in paras. 1 through 8 shall be contributed within the time limits and in accordance with the procedure set forth in Arts. 65 and 66.

Advance Tax on Income Originating from Business Activities

Art. 43. (amend. – SG 113/07, in force from 01.01.2008; amend. - SG 106/08, in force from 01.01.2009) (1) A person who has received income from business activity referred to in Art. 29 shall be liable for an advance tax on the difference between the taxable income and the contributions which the liable person is obliged to make at his/her own expense for the months of the quarter in which the taxable income was acquired, and in case the person is not self-insured – the difference between the taxable income and the deducted mandatory insurance contributions.

(2) Any person with 50 or more than 50 percent reduced work ability shall be liable for an advance tax for income from business activity under Art. 29 after the taxable income of the person from all income sources acquired from the beginning of the taxable year and subject to taxation by tax on the total annual taxable basis reduced by the withheld or paid on account of the person compulsory insurance instalments exceeds BGN 7920.

(3) The amount of the tax due shall be calculated by multiplying the difference referred to in para 1 by tax rate of 10 percent.

(4) Where payer of the income of business activity is an establishment or a self-insured person within the meaning of the Social Insurance Code, the tax amount shall be determined and the tax shall be withheld by the payer of the income upon its payment.

(5) Para 4 shall not apply, when the person acquiring the income is a self-insured person in the sense of the Code of Social Insurance and has declared the said circumstance in a written declaration before the payer of the income.

(6) Where the payer of the income of business activity is not an establishment or a self-insured person and the person acquiring the income is a self-insured person and has declared the said circumstance before the payer of the income, the tax amount shall be determined and the tax shall be paid by the person acquiring the income.

(7) The tax referred to in para. 2 shall be contributed within the time limits and in accordance with the procedure set forth in Arts. 65 through 68.

(8) (suppl. – SG 31/11, in force from 01.05.2011) Those persons who carry out business activities as traders within the meaning of the Commercial Law, including the sole proprietors, as well as natural persons in the cases of Art. 29a, shall make advance contributions at the tax rate of 15 percent in accordance with the conditions and procedure set forth in the Law on Corporate Income Taxation.

(9) (amend. – SG 95/09, in force from 01.01.2010) In the cases of Para 2 the person acquiring the income shall certify the level of reduced work ability by an expert decision of TEMC/ELCCh/NEMC valid at the date/dates of payment of the income, a copy of which shall be presented once to the payer of the income, when he is obliged to withhold or pay the tax.

Advance Tax on Income Originating from Rent or Any Other Granting of the Use of

Rights or Property for Consideration

Art. 44. (1) (amend. – SG 113/07, in force from 01.01.2008) A person who has received income from rent or any other granting of the use of rights or property for consideration shall be liable for advance tax on the difference between the taxable amount as per Art. 31 and the insurance contributions, which the person is obliged to make at his/her own expense.

(2) (new – SG 106/08, in force from 01.01.2009) Any person with 50 or more than 50 percent reduced work ability shall be liable for an advance tax for income from rent or any other non-gratuitous grant for use of rights or property after the taxable income of the person from all income sources acquired from the beginning of the taxable year and subject to taxation by tax on the total annual taxable basis reduced by the withheld or paid on account of the person compulsory insurance instalments exceeds BGN 7920.

(3) (amend. – SG 113/07, in force from 01.01.2008; prev. text of Para 02 – SG 106/08, in force from 01.01.2009) The amount of the tax due shall be calculated by multiplying the difference referred to in para 1 by tax rate of 10 percent.

(4) (new – SG 94/10, in force from 01.01.2011) Where the payer of the income from rental or other grant of use of rights or property for valuable consideration qualifies as undertaking or self-insuring persons, the tax amount shall be determined and the tax deducted from the income payer at the moment of payment. In such cases the amount of the due advance tax shall be determined by multiplying the tax income referred to in Art. 31 by 10 percent tax rate.

(5) (new – SG 94/10, in force from 01.01.2011) In the cases referred to in Para 2 the person receiving the income shall certify the degree of reduced work ability by means of an expert decision of TEDC/SEDC/NEDC that is valid at the date/dates of payment of the income, a copy of which shall be made available once to the income payer, when he is obliged to withhold and pay the tax.

(6) (prev. text of Para 03 – SG 106/08, in force from 01.01.2009; prev. text of Para 04, amend. – SG 94/10, in force from 01.01.2011) The tax referred to in para. 3 shall be contributed within the time limits and in accordance with the procedure set forth in Arts. 65 - 68.

Certifying paid taxable income and tax withholding (Title amend. – SG 94/10, in force from 01.01.2011)

Art. 45. (1) (suppl. - SG 99/11, in force from 01.01.2012) Upon the person's request, the employer under Art. 49, Para 1 shall issue a certificate of a standard layout showing the taxable income received in the course of the year as well as the tax withheld in the course of the year. The employer shall issue the said certificate not later than 31 January of the subsequent year. The certificate shall also show the tax that has been withheld from/recovered to the employee upon determining the annual amount of the tax.

(2) (maned. - SG 99/11, in force from 01.01.2012) The employer shall issue the employee a certificate according to a form for the acquired taxable income and the withheld tax during the year, where:

1. the employment relations were terminated during the year;
2. the income was received by virtue of relations under § 1, Item 26, Letter "i" of the Additional Provisions;
3. he is not an employer in a primary employment relationship at 31 December of the tax year - this circumstance is to be established by a written statement, provided by the employee;
4. the withholding/recovery under Art. 49, Para 5 and 6 is not performed by 31 January of the following year.

(3) (amend.. - SG 99/11, in force from 01.01.2012) In those cases where the circumstances referred to in Art. 5, para. 10 of the Social Insurance Code are present, the certificate under para. 2 shall be issued by the respective territorial department of the National Insurance Institute to which the pay-

roll and the attachments thereto have been submitted.

(4) (amend. – SG 94/10, in force from 01.01.2011) As for the paid income and the tax withheld in accordance with the procedure set forth in Art. 43 and 44, the establishment or the self-insured person that is the payer of income under Art. 29 or 31 shall draw up a record thereof of a standard layout and shall submit it to the person who has received the income.

(5) (new – SG 113/07, in force from 01.01.2008) In case a certificate under para 1 has not been requested by the worker/employee by 31 January the following year, it shall be issued after the term fixed in para 1 upon request.

(6) (new – SG 113/07, in force from 01.01.2008; amend. - SG 99/11, in force from 01.01.2012) The certificate under Para 2 shall be issued and provided to the employee within the following terms:

1. within one month from the date of the last payment under the relationship referred to in Para 2, Item 1, but not later than 31 December of the tax year;

2. by 10 January of the following year - in the cases referred to in Para 2, Items 2 and 3;

3. by 5 February of the following year - in the cases under Para 2, Item 4.

(7) (new – SG 94/10, in force from 01.01.2011) The establishment or self-insured person that is the payer of income from other sources under Art. 35 shall issue an official certificate for the paid income in a form, which shall be handed over to the person that have received the income.

(8) (new - SG 99/11, in force from 01.01.2012) The forms referred to in Para 1, 2, 4 and 7 shall be provided to the person who has received the income or to a person authorised by him.

Chapter nine.

TAX RATES OF THE FINAL TAX UNDER CHAPTER SIX (Title amend. – SG 113/07, in force from 01.01.2008)

Final Taxes Rates under Chapter Six

Art. 46. (amend. – SG 113/07, in force from 01.01.2008) (1) (amend. – SG 19/11, in force from 08.03.2011; amend. - SG 99/11, in force from 01.01.2012) The tax rate shall be 10 percent for the income referred to in Art. 37 and Art. 38, para. 5, 8, 10 - 12 shall be at the amount of 15 percent.

(2) The tax rate shall be 7 percent for income referred to in Art. 38, para 8 in those cases in which amounts of money are received after the term of a life insurance contract has expired, this being a contract of 15 or more years of duration.

(3) The tax rate shall be 5 percent for income referred to in Art. 38, para 1.

(4) The final tax under Chapter six shall be withheld and contributed within the time limits and in accordance with the procedure set forth in Arts. 65 through 68.

Applicable Final Taxes (title amend. – SG 31/11, in force from 01.05.2011)

Art. 47. (suppl. – SG 31/11, in force from 01.05.2011) Those persons who carry out business activities as traders within the meaning of the Commercial Law, including the sole proprietors as well as the natural persons in the cases of Art. 29a shall apply those provisions of the Law on Corporate Income Taxation which concern the taxation of income and the taxes withheld at the source.

Chapter ten.

ANNUAL TAXATION

Calculation of Tax Amount

Art. 48. (amend. – SG 113/07, in force from 01.01.2008) (1) The amount of the tax on the total annual basis of taxation shall be determined by multiplying the total annual basis of taxation under Art.

17 by rate amounting to 10 percent.

(2) (suppl. – SG 31/11, in force from 01.01.2011) The amount of the tax on the annual basis of taxation for the income from business activity as a sole proprietor as well as for the income from business activity as per Art. 29a shall be calculated by multiplying the annual basis of taxation under Art. 28 by tax rate amounting to 15 percent.

(3) The taxes calculated in accordance with para. 1 and 2 shall be reduced by the amount of the tax that has been withheld and/or contributed in advance, and contributed in advance, respectively, in the course of the year of taxation with regards to the respective tax.

(4) The tax determined in accordance with para. 1 shall also be reduced by the amount of the natural person's final tax on income under Art. 37 that has been withheld, and contributed, respectively, in the course of the year of taxation, the said natural person being regarded as a local natural person in that year of taxation.

(5) (amend. – SG 31/11, in force from 01.01.2011) The overpaid tax for the year of taxation under Art. 14, para 2 may be deducted from the subsequent advance contributions and annual contributions for this tax due by a sole proprietor or by the natural person in the cases of Art. 29a. Interest shall be due according to the Law on Interest on Taxes, Fees and Other Similar State Receivables in those cases where it has been established that there is unreasonably deducted tax,.

(6) (new – SG 95/09, in force from 01.01.2010) The tax on an annual basis of taxation for income from business activity as a sole entrepreneur shall be remitted in the amount of 60 percent to persons, registered as agricultural producers, for an annual basis of taxation from activity for production of non-processed plant and animal products subject to the condition of tax remission under Art. 189b of the Law of the corporate income taxation.

(7) (new – SG 95/09, in force from 01.01.2010) Tax remission under par. 6 representing state support for agricultural producers, may not be received by a person, who is an enterprise with difficulties.

(8) (new - SG 99/11, in force from 01.01.2012) The tax referred to in Para 1 and 2 following the deductions under Para 3 - 5 shall be rounded to every full lev.

Annual Tax on Income Originating from Employment Relationships

Art. 49. (1) (suppl. – SG 95/09, in force from 01.01.2010) Not later than 31 January of the following year of taxation, the employer shall calculate the annual basis of taxation under Art. 25, par. 1 and 3, decreased in accordance with the procedure set forth in para. 3, and shall determine the annual amount of the tax on condition that as at 31 December of the year of taxation he/she is the employer under the basic employment relationship of the employee.

(2) In those cases where, in the course of the year of taxation, the employee has or used to have a labour contract for additional employment with another employer, or he/she had a basic employment relationship with another employer, the employer referred to in para. 1 shall include the income received from the other employer when calculating the annual amount of the tax on condition that the employee has submitted to him/her the certificate referred to in Art. 45 issued by the other employer.

(3) (suppl. – SG 95/09, in force from 01.01.2010) The annual basis of taxation referred to in Art. 25, par. 1 and 3 shall be decreased by the annual amount of:

1. the tax relief referred to in Arts. 19 and 22 in those cases where the amounts have been withheld by the employer upon payment of the income originating from the employment relationship;

2. (amend. – SG 113/07, in force from 01.01.2008) the tax relief referred to in Arts. 18 and 20.

(4) Paragraph 3 shall apply in those cases where the employee submits to the employer the documents specified below within the period from 30 November until 31 December of the year of taxation:

1. a copy of a valid decision of the Medical Expert Commission on Employment Matters/

- National Expert Commission on Employment Matters – for the tax relief referred to in Art. 18;
2. copies of the contracts with the insurance company – for the tax relief referred to in Art. 19;
 3. copies of the documents evidencing that the contributions have been made – for the tax relief referred to in Art. 20;
 4. (revoked – SG 113/07, in force from 01.01.2008)
 5. copies of documents certifying that the donee belongs to those specified in Art. 22 and that the donation has been received – for the tax relief referred to in Art. 22.
- (5) In those cases where the determined annual amount of the tax is higher than the amount of the tax that was withheld from the employee in the course of the year, the difference shall be withheld from the person not later than 31 January of the subsequent year.
- (6) In those cases where the determined annual amount of the tax is lower than the amount of the tax that was withheld from the employee in the course of the year, the employer shall recover the balance to the person not later than 31 January of the subsequent year.
- (7) The amount recovered under para. 6 shall be set-off by the employer against subsequent contributions to the Central Budget for taxes on that person's or other persons' income from employment relationships.
- (8) (new – SG 95/09, in force from 01.01.2010) For the determination of the annual basis of taxation and of the annual tax following the procedure laid down in the preceding paragraphs, the income from employment legal relations under § 1, item 26, item "i" of the supplementary provisions shall not be included

Chapter eleven. DECLARING THE TAX

Section I. Annual Tax Return

Obligation to Submit an Annual Tax Return

Art. 50. (1) (amend. – SG 113/07, in force from 01.01.2008) Local natural persons shall submit an annual tax return of a standard form regarding the following:

1. the income received in the course of the year subject to taxation with a tax on the total annual basis of taxation and with a tax on the annual basis of taxation referred to in Art. 28;
2. (amend. – SG 99/09, in force from 01.01.2010) the income subject to taxation with a patent tax pursuant to the Law for Local Taxes and Fees;
3. (amend. - SG 106/08, in force from 01.01.2009) the income acquired from foreign sources during the year from dividends, liquidation assets and income under Art. 38, Para 8;
4. the stocks and shares they hold in companies, establishments and immovable property abroad;
5. (new – SG 99/09, in force from 01.01.2010) granted/received money loans as follows:
 - a) non-lapsed part of any granted money loans during the tax year, if their total amount exceeds BGN 10 000;
 - b) the remainders of the money loans provided during the current and the five preceding tax years that have not lapsed by the end of the tax year, if the total amount of these remainders exceeds BGN 40 000;
 - c) the non-lapsed part of the money loans received during the tax year, if their total amount exceeds BGN 10 000, except the received credits, provided by credit institutions in the sense of the Law on the Credit Institutions;
 - d) the remainders of the money loans received during the current and the five preceding tax

years that have not lapsed by the end of the tax year, except the received credits provided by credit institutions in the sense of the Law on the Credit Institutions, if the total amount of these remainders exceeds BGN 40 000;

(2) (amend. – SG 113/07, in force from 01.01.2008; suppl. – SG 99/09, in force from 01.01.2010) Foreign natural persons shall submit an annual tax return referred to in para. 1 regarding the income under para 1, items 1 and 2 and in the cases of Art. 37a.

(3) (amend. – SG 99/09, in force from 01.01.2010) Those local and foreign natural persons who have received income originating from employment relationships referred to in § 1, item 26, letters "f" and "i" of the Supplementary Provision shall submit an annual tax return under para. 1 regarding the said income.

(4) (amend. – SG 113/07, in force from 01.01.2008) The annual tax return referred to in para. 1 shall have attached thereto the certificates under Art. 45.

(5) (amend. – SG 113/07, in force from 01.01.2008) The local natural persons shall attach to their annual tax return under para 1 certificates showing the amount of the tax and the mandatory insurance contributions paid abroad, this certificate being issued by the competent authorities of the other State.

(6) (new – SG 113/07, in force from 01.01.2008) With regards to income from a source abroad, at the taxation of which "Exemption with progression" method of avoiding double taxation is being applied according to the tax agreement in force, local natural persons are not obliged to present certificate of the amount of the deposited tax as per para 5.

(7) (new – SG 113/07, in force from 01.01.2008; suppl. – SG 31, in force from 01.01.2011) Persons carrying out business activity as traders within the meaning of the Commercial law, including sole proprietors and the natural persons in the cases of Art. 29a, shall announce the due and paid taxes on their income by annual tax return under para 1 according to the Law on Corporate Income Taxation.

(8) (new – SG 113/07, in force from 01.01.2008) In respect of the income of minors, underage natural persons and the ones under judicial disability their annual tax returns under para 1 shall be submitted by their parents, respectively guardians.

Filing an Annual Business Report (Title amend. - SG 95/09, in force from 01.01.2010)

Art. 51. (amend. – SG 95/09, in force from 01.01.2010) (1) (suppl. – SG 31/11, in force from 01.01.2011) The persons carrying out business activities as traders within the meaning of the Commercial Law, including the sole proprietors and natural persons in the cases referred to in Art. 29a, shall submit an annual financial statement, including the supplements thereto, together with their annual business report.

(2) An annual business report shall not be filed by the persons under par. 1, for which the following conditions are met at the same time:

1. they have not run any business in the tax year;
2. they have not reported for the tax year income or expenses according to the accountancy laws.

Exemption from the Obligation to Submit an Annual Tax Return

Art. 52. (1) (prev. Art. 52 – SG 95/09, in force from 01.01.2010) No annual tax return is due by those persons who have received only:

1. (amend. – SG 95/09, in force from 01.01.2010; amend. - SG 99/11, in force from 01.01.2012) income originating from employment relationships in those cases where as of 31 December of the tax year the person has got employer in a primary employment relationship and he/she has determined the amount of the annual tax on the entire income received in the course of the year of

taxation from employment relationships, and the total amount of the tax for the year of taxation was withheld prior to 31 January of the subsequent year, and/or

2. (new - SG 99/11, in force from 01.01.2012) income from employment relations, where on 31 December of the tax year the persons does not have an employer in a primary employment relationship or has such, but he has failed to determine an annual tax amount for all received income from employment relations during the tax year, where all of the following conditions have been met:

a) the tax on the total tax basis is equal to the advanced payments under Art. 42, and

b) the person does not use tax relief under Art. 23, and/or

3. (amend. – SG 113/07, in force from 01.01.2008; amend. – SG 95/09, in force from 01.01.2010; prev. text of Item 02 - SG 99/11, in force from 01.01.2012) non-taxable income, and/or

4. (suppl. – SG 113/07, in force from 01.01.2008; prev. text of Item 03 - SG 99/11, in force from 01.01.2012) income taxable with the final tax referred to in Art. 38, except for the income as per Art. 50, para 1, item 3, and/or

5. (suppl. – SG 95/09, in force from 01.01.2010; prev. text of Item 04 - SG 99/11, in force from 01.01.2012) foreign persons' income taxed with final tax, except for the cases under Art. 37a.

(2) (new – SG 95/09, in force from 01.01.2010; amend. - SG 99/11, in force from 01.01.2012) Regardless the circumstances under par. 1 local natural persons shall be obliged to file an annual tax return in cases under Art. 50, par. 1, items 4-5 and par. 3.

Time Limits for the Submission of the Annual Tax Return

Art. 53. (1) The annual tax return shall be submitted not later than 30 April of the year subsequent to the year during which the income was received.

(2) Those persons who submit their annual tax return prior to 10 February of the subsequent year, shall enjoy a relief of 5 percent of the portion of tax on condition that they pay the amount payable under the annual tax return prior to the same time limit, i.e. prior to 10 February.

(3) Those persons who submit their annual tax return within the time limit referred to in para. 1 electronically, shall enjoy a relief of 5 percent of the portion of tax paid within the same time limit which was payable under the annual tax return on condition that they have not applied para. 2.

(4) (new - SG 99/11, in force from 01.01.2012) The relief referred to in Para 2 and 3 shall be used, provided that the natural persons due to pay advance taxes, have paid the full amount of the due tax within the time limits under Art. 67.

Venue of Submission of the Annual Tax Return

Art. 54. (1) (amend. – SG 95/09, in force from 01.01.2010) The annual tax return shall be submitted with the territorial directorate of the National Revenue Agency by the residential address of the natural person, including the sole proprietor, who is the bearer of the obligation to pay the tax.

(2) (new – SG 113/07, in force from 01.01.2008) In those cases referred to in Art. 50. para 8 the annual tax return shall be submitted in the territorial directorate of NRA at the permanent address of the natural person, who is minor, underage, or under judicial disability.

(3) (prev. text of para 2 – SG 113/07, in force from 01.01.2008) In those cases in which the annual tax return of a foreign natural person is submitted by proxy having a residential address within the country, the annual tax return shall be submitted with the territorial directorate of the National Revenue Agency by the residential address of the proxy.

(4) (prev. text of para 3, amend. – SG 113/07, in force from 01.01.2008) Except for the cases referred to in paras. 1 through 3, the annual tax return shall be submitted with Sofia Territorial Directorate of the National Revenue Agency.

Section II.

Tax Return Regarding the Income Taxable with a Final Tax

Obligation to Submit an Annual Tax Return Regarding the Income under Chapter Six

Art. 55. (1) (amend. – SG 113/07, in force from 01.01.2008) The establishments and the self-insured persons that are payers of income and have withheld the final tax on foreign natural persons' income due/paid under Chapter Six, shall declare these circumstances by way of a tax return of a standard form.

(2) The tax return referred to in para. 1 shall be submitted by the person who has received the income in those cases in which the payer of the income does not have the obligation to withhold and contribute the tax.

(3) The tax return shall state the income payer's data, whoever the person submitting the tax return might be.

Time Limits for the Submission of the Tax Return under Chapter Six

Art. 56. (1) (amend. – SG 113/07, in force from 01.01.2008) The tax return referred to in Art. 55, para. 1 shall be submitted by the end of the month following the month during which the tax has been contributed.

(2) (new – SG 113/07, in force from 01.01.2008) The tax return referred to in Art. 55, para 1 shall be submitted by the person, who has acquired the income within the term for deposition of the tax as per Art. 67, para 1.

(3) (prev. text of para 2 – SG 113/07, in force from 01.01.2008) The tax return referred to in Art. 55, para. 1 concerning the income under Art. 38, para. 5 shall be submitted by the person who has received the income, prior to the end of the month following the month in the course of which the stocks and shares in the recipient company/the newly established company were acquired.

Venue of Submission of the Tax Return Concerning the Income under Chapter Six

Art. 57. (1) The tax return referred to in Art. 55, para. 1 shall be submitted with the territorial directorate of the National Revenue Agency either by the place of registration or by the place in which the payer of the income should be registered.

(2) In those cases in which the foreign natural person's tax return referred to in Art. 55, para. 2 is submitted by proxy having a residential address within the country, the annual tax return shall be submitted with the territorial directorate of the National Revenue Agency by the residential address of the proxy.

(3) Except for the cases referred to in paras. 1 through 2, the tax return shall be submitted with Sofia Territorial Directorate of the National Revenue Agency.

Paid Tax Certificate of a Foreign Natural Person

Art. 58. (1) (suppl. - SG 106/08, in force from 01.01.2009; prev. Art. 58, amend. and suppl. – SG 95/09, in force from 01.01.2010) Upon the request of the person, he/she is issued a certificate of a standard layout evidencing that the foreign natural person has deposited the tax under this Law. The said request is filed with the territorial directorate of the National Revenue Agency with which the tax return referred to in Art. 50 or Art. 55 has been submitted, or is subject to filing.

(2) (new – SG 95/09, in force from 01.01.2010) Upon request of the foreign person the certificate of deposited tax on the total annual basis of taxation and/or of deposited tax on the annual basis of taxation under Art. 28 shall be issued separately for the individual types of income under Art. 8,

except for the cases where the income is realized through a specified basis.

Section III.

Tax Return for Taxation with a Final Annual (Patent) Tax (revoked – SG 113/07, in force from 01.01.2008)

Tax **Obligation to Submit a Tax Return Regarding the Taxation with a Final Annual (Patent)**

Art. 59. (revoked – SG 113/07, in force from 01.01.2008)

Time Limits for the Submission of the Tax Return Regarding the Taxation with a Final Annual (Patent) Tax

Art. 60. (revoked – SG 113/07, in force from 01.01.2008)

Venue of Submission of the Tax Return Regarding the Taxation with a Final Annual (Patent) Tax

Art. 61. (revoked – SG 113/07, in force from 01.01.2008)

Section IV.

Time Limits and Venue of Submission of Tax Returns Concerning Alternative Taxes Due by Sole Proprietors

Obligation and Time Limits for the Submission of Tax Returns Concerning Alternative Taxes Due by Sole Proprietors

Art. 62. As for the activities taxable under Art. 26, para. 5, the sole proprietors shall apply the provisions regarding the submission of tax returns under the Law on Corporate Income Taxation.

Venue of Submission of Tax Returns Concerning Alternative Taxes Due by Sole Proprietors

Art. 63. The tax returns referred to in Art. 62 shall be submitted with the territorial directorate of the National Revenue Agency by the residential address of the natural person.

Section V.

Approval of Standard Forms

Approval of Standard Forms

Art. 64. (1) (suppl. – SG 31/11, in force from 01.01.2011) The standard forms of the tax returns and the declaration as per Art. 29a, para 4 under this Law shall be approved by way of an Ordinance of the Minister of Finance.

(2) (revoked - SG 106/08, in force from 01.01.2009)

(3) The standard forms of the account of paid amounts and the certificate under this Law, as well as the certificate referred to in Art. 58 and the record referred to in Art. 73, para. 1, shall be approved by way of an Ordinance of the Minister of Finance.

(4) (amend. - SG 106/08, in force from 01.01.2009) The orders and the standard forms referred

to in paras. 1 and 3 shall be promulgated in the State Gazette.

Chapter twelve. PAYMENT OF TAXES

Section I.

Time Limits and Venue of Paying the Taxes Withheld by the Payer of the Income

Time Limits for Paying the Taxes Withheld by the Payer of the Income

Art. 65. (1) (amend. and suppl. – SG 113/07, in force from 01.01.2008; amend. – SG 19/11, in force from 08.03.2011; amend. - SG 99/11, in force from 01.01.2012) The tax referred to in Art. 46 on the income under Art. 37, para 1 through 9 and Art. 38, para. 10 and 12 shall be withheld and contributed by the establishment or the self-insured person that is the payer of the income, prior to the end of the month following the month for which the income is charged by the undertaking or it has been paid by the self-insured person.

(2) The tax referred to in Art. 46 on the income under Art. 38, para. 2 shall be withheld and contributed by the establishment which is the payer of the income, prior to the end of the month following the month in the course of which the dividend distribution decision was taken.

(3) (amend. - SG 99/11, in force from 01.01.2012) The tax referred to in Art. 46 on the income under Art. 38, para. 3 shall be withheld and contributed by the establishment which is the payer of the income, prior to the end of the month following the month during which the amounts were charged.

(4) The tax referred to in Art. 46 on the income under Art. 38, para. 4 shall be withheld and contributed by the establishment which is the payer of the income, prior to the end of the month following the month during which the liquidation share was allotted.

(5) Paragraph 4 shall not apply to the income originating from liquidation shares in the cases of transfer of property in the course of transformation in accordance with the procedure set forth in Art. 265 of the Commercial Law on condition that the tax is contributed under Art. 67 by the sole proprietor who has received the income.

(6) The tax referred to in Art. 46 on the income under Art. 37, para. 1, items 10 through 12 and Art. 38, para. 5 shall be paid in accordance with the procedure set forth in Art. 67 by the person who has received the income.

(7) (suppl. - SG 106/08, in force from 01.01.2009; suppl. - SG 99/11, in force from 01.01.2012) The tax referred to in Art. 46 on the income under Art. 38, para. 8 shall be withheld and contributed by the insurance company, if it is a local person, respectively from the cooperation, prior to the end of the month following the month during which the income was received by the natural person.

(8) The insurance company referred to in para. 7 shall establish the portion of the non-taxable income referred to in Art. 38, para. 9 on the grounds of a written declaration submitted by the natural person who is the bearer of the obligation to pay the tax.

(9) (amend. – SG 113/07, in force from 01.01.2008; amend. - SG 99/11, in force from 01.01.2012) In those cases in which the income referred to in Art. 37 and Art. 38, para. 1 is in favour of a person who is a local person in a State with which the Republic of Bulgaria has concluded a treaty for the avoidance of double taxation, the tax referred to in Art. 46 shall be withheld and contributed either by the establishment or by the self-insured person that is the payer of the income, within a term of three months following the beginning of the month subsequent to the month: for which the income referred to in para. 1 is due or during which it has been paid; or in which the decision referred to in para. 2 was taken; or the amounts referred to in para. 3 were charged; or the liquidation share referred to in para. 4 was allotted.

(10) (new – SG 94/10, in force from 01.01.2011) The tax referred to in Art. 4b for the income

referred to in Art. 8, Para 11 shall be withheld and paid by the income payer by the end of the month following the month of accrual of the income by the local legal person, by the sole entrepreneur, from the place of economic activity or the specified base in the country.

(11) (prev. text of Para 10, amend. – SG 94/10, in force from 01.01.2011) The tax which the payer of the income is obligated to withhold as referred to in Arts. 42, 43, 44 and Art. 49, paras. 2 and 5, shall be contributed not later than the 10th day of the month subsequent to the month during which the tax was withheld.

(12) (prev. text of Para 11, amend. – SG 94/10, in force from 01.01.2011) The tax referred to in Art. 42, para. 6 shall be contributed not later than the end of the month subsequent to the month during which the partial payments were made.

Venue of Contributing the Tax Withheld by the Payer of Income

Art. 66. (1) (prev. Art. 66 – SG 95/09, in force from 01.01.2010) The tax referred to in Art. 65 shall be contributed to the Central Budget by crediting the account of the territorial directorate of the National Revenue Agency by the registration of the payer of the income.

(2) (new – SG 95/09, in force from 01.01.2010) The overpaid tax or paid amounts without being due as taxes on income under Art. 37, par. 1, item 1 – 9 and Art. 38, received by foreign natural persons, shall be refunded by the territorial directorate of the National Revenue Agency, in which the income tax of the person is subject to payment.

Section II.

Time Limits and Venue of Contributing the Taxes on the Part of the Person Receiving the Income

Time Limits for Contributing the Taxes on the Part of the Person Receiving the Income

Art. 67. (1) In those cases in which the payer of the income has no obligation to withhold and contribute the tax, the tax referred to in Arts. 43, 44 and 46 shall be contributed by the person who has received the income, not later than the 15th day of the month subsequent to the quarter in the course of which the income was received.

(2) (amend. - SG 106/08, in force from 01.01.2009) No advance payment referred to in Art. 43, para. 6 and Art. 44 shall be due on income received during the fourth quarter of the year of taxation.

(3) The tax referred to in Art. 46, determined as at the time of the exchange under Art. 38, para. 5, shall be contributed by the person who has received the income, not later than the 15th day of the month following the quarter in the course of which the subsequent sale or exchange of stocks and shares in the receiving company/the newly established company took place, including the cases of subsequent exchange of the stocks or shares in connection with transformation of commercial companies.

(4) The tax due under Art. 48 shall be contributed not later than 30 April of the year subsequent to the year in the course of which the income was received.

Venue of Contributing the Taxes on the Part of the Person Receiving the Income

Art. 68. (1) The tax referred to in Arts. 43, 44, 46 and 48 shall be contributed to the Central Budget by crediting the account of the territorial directorate of the National Revenue Agency by the residential address of the local natural person, including the cases of sole proprietors.

(2) The tax referred to in para. 1 due by a foreign person who has received income by proxy having his/her residential address within the country, shall be contributed to the Central Budget by crediting the account of the territorial directorate of the National Revenue Agency by the residential address of the proxy.

(3) In those cases in which it is impossible to determine the venue of contributing the tax referred to in paras. 1 and 2, the tax shall be contributed to the Central Budget by crediting the account of Sofia Territorial Directorate of the National Revenue Agency.

(4) (new – SG 95/09, in force from 01.01.2010) The overpaid tax or paid amounts without being due as taxes on income under Art. 37, par. 1, item 10 – 12 and Art. 38, received by foreign natural persons, shall be refunded by the territorial directorate of the National Revenue Agency, in which the income tax of the person is subject to payment.

Section III.

Time Limits and Venue of Contributing the Final Annual (Patent) Tax (revoked – SG 113/07, in force from 01.01.2008)

Time Limits for Contributing the Final Annual (Patent) Tax

Art. 69. (revoked – SG 113/07, in force from 01.01.2008)

Venue of Contributing the Final Annual (Patent) Tax

Art. 70. (revoked – SG 113/07, in force from 01.01.2008)

Section IV.

Time Limits and Venue of Contributing the Alternative Taxes on the Part of Sole Proprietors

Time Limits for Contributing the Alternative Taxes on the Part of Sole Proprietors

Art. 71. As for the activities taxable under Art. 26, para. 5, sole proprietors shall apply those provisions of the Law on Corporate Income Taxation which concern the time limits for contributing the tax.

Venue of Contributing the Alternative Taxes on the Part of Sole Proprietors

Art. 72. The taxes referred to in Art. 71 shall be contributed to the Central Budget by crediting the account of the territorial directorate of the National Revenue Agency by the residential address of the natural person.

Part five.

PROVISION OF INFORMATION, APPLICABLE PROVISIONS OF OTHER LAWS AND RECOVERY OF THE TAX WITHHELD IN ANOTHER MEMBER STATE OF THE EUROPEAN UNION (TITLE AMEND. - SG 106/08, IN FORCE FROM 01.01.2009)

Chapter thirteen.

PROVISION OF INFORMATION

Income Payers' Obligation to Provide Information

Art. 73. (1) (amend. – SG 113/07, in force from 01.01.2008; suppl. – SG 94/10, in force from 01.01.2011) The establishments and the self-insured persons that are payers of income within the meaning of the Social Insurance Code shall draw up a record of a standard layout regarding the income paid to natural persons in the course of the year of taxation. In cases of transformation or transfer of undertaking the record shall be drawn up by the successor.

(2) (new – SG 113/07, in force from 01.01.2008) The record referred to in para 1 shall not include the paid income from employment relations and compulsory social security, as well as the income subject to declaring according to the procedure laid down in Art. 55, para 1.

(3) (new - SG 106/08, in force from 01.01.2009; amend. - SG 99/11, in force from 01.01.2012) The income referred to in Art. 38, Para 1, Item 2 shall be included in the record referred to in Para 1 for the taxable year, in which the decision for distribution of the dividend was taken, for the taxable year of accrual of the amount - in cases of hidden distribution of profit, or for the taxable year of accrual of the liquidation share.

(4) (prev. text of para 2 – SG 113/07, in force from 01.01.2008; prev. text of Para 03 - SG 106/08, in force from 01.01.2009; suppl. - SG 95/09, in force from 01.01.2010) The record referred to in para. 1 shall be submitted not later than 30 April of the subsequent year to the territorial directorate of the National Revenue Agency by the registration of the payer of the income. In case of winding up through liquidation or announced insolvency of an enterprise, the record of par. 1 shall be provided within the terms and following the procedure of filing a tax return under Art. 162 of the Law of the Corporate Income Taxation.

(5) (prev. text of para 3 – SG 113/07, in force from 01.01.2008; prev. text of Para 04 - SG 106/08, in force from 01.01.2009) In those cases in which the persons referred to in para. 1 paid income to more than 10 natural persons in the course of the year of taxation, the record under para. 1 shall be submitted only electronically in the form and in accordance with the procedure approved by way of an Ordinance of the Executive Director of the National Revenue Agency.

(6) (prev. text of para 4 – SG 113/07, in force from 01.01.2008; prev. text of Para 05 - SG 106/08, in force from 01.01.2009) On a regular basis, the employers shall provide information regarding both the income paid under employment relationships and the tax withheld on that income. The Minister of Finance shall issue an order regarding the content and procedure for providing and storing the data.

State Authorities' Obligation to Provide Information

Art. 74. (1) Upon request of the revenue bodies, the Ministry of the Interior shall provide the information needed for establishing whether a person is a local or a foreign one as referred to in Chapter One.

(2) Each year, until 15 December, the Ministry of Regional Development and Public Utilities shall submit to the National Revenue Agency updated data regarding the population by current address, the said data being systematized by settlements.

Chapter fourteen.

APPLICABLE PROVISIONS OF OTHER LAWS

Priority Application of Tax Treaties and Other International Contracts

Art. 75. In those cases in which a tax treaty or another international contract ratified by the Republic of Bulgaria, which has been promulgated and has taken effect, contains provisions that differ from the provisions of this Law, it is the provisions of the respective tax treaty or contract that shall apply.

Tax input

Art. 76. (1) Except for the cases referred to in Art. 75, in determining the income tax the local natural persons shall be entitled to tax input regarding identical or similar foreign taxes that have been charged abroad by the respective competent authorities.

(2) The persons referred to in para. 1 shall be entitled to tax input for all taxes on dividends, interest, author's and licence remuneration, remuneration for technical services and rent paid from sources abroad.

(3) The tax input referred to in para. 2 shall be determined separately per each State and per each type of income and shall be limited to the amount of the Bulgarian tax on the income that would have been due on that income from a source abroad if the tax had been applied to local income.

(4) If necessary, the Minister of Finance shall be entitled:

1. to determine which taxes are identical or similar to the tax on the income of natural persons;

2. to establish the origin and the specific amount of the local or foreign income received from the respective source;

3. to refuse to recognize the entitlement to tax input regarding those foreign taxes by which the tax input has been wrongfully increased.

Prevention of Tax Evasion

Art. 77. In determining the obligations of persons under this Law, in the cases of transactions involving related parties, and transactions concluded on terms and conditions the observance of which results in tax evasion and application of market prices, and transfers connected with a certain establishment, and also where interest under financial leasing is concerned, it is the respective provisions of the Law on Corporate Income Taxation regarding the prevention of tax evasion that shall apply.

Chapter fifteen.

DEDUCTION AND RECOVERY OF TAX PAID IN ANOTHER MEMBER STATE OF THE EUROPEAN UNION (TITLE AMEND. - SG 106/08, IN FORCE FROM 01.01.2009)

Deduction of a Tax Withheld in Another Member State of the European Union

Art. 78. (1) The tax withheld in the Kingdom of Belgium, the Republic of Austria or the Grand Duchy of Luxembourg on savings income paid by an agent-payer to local natural persons, with the exception of sole proprietors, shall be deducted from the tax due on the total annual basis of taxation of the person determined in the annual tax return submitted as referred to in Art. 50.

(2) In those cases in which after the deduction referred to in para. 1 there is a remainder, the latter shall be recovered on the grounds of a request filed within the time limits and in accordance with the procedure set forth in Chapter Sixteen of the Tax Insurance Procedure Code.

(3) The annual tax return referred to in para. 1, and the request referred to in para. 2, respectively, shall have a document attached thereto, the latter evidencing both the amount of the income and the amount of the tax withheld under para. 1 in the respective State, the said document being issued by the competent tax authorities of that State.

Recovery of the Tax Withheld in Another Member State of the European Union (title amend. - SG 106/08, In force from 01.01.2009)

Art. 79. (1) With the exception of the sole proprietors, any natural person who does not have the obligation to submit the declaration referred to in Art. 50 shall be entitled to the recovery of the tax withheld in the Kingdom of Belgium, the Republic of Austria or the Grand Duchy of Luxembourg on savings income paid by an agent-payer.

(2) The recovery referred to in para. 1 shall be carried out on the grounds of a request and within the time limits and in accordance with the procedure set forth in Chapter Sixteen of the Tax Insurance Procedure Code.

(3) The request referred to in para. 2 shall have a document attached thereto, the latter evidencing both the amount of the income and the amount of the tax withheld under para. 1 in the respective State, the said document being issued by the competent tax authorities of that State.

Part six.
ADMINISTRATIVE SANCTIONS PROVISIONS

Art. 80. (1) A person who fails to submit in due time the tax return referred to in this Law shall be punished with a fine or a pecuniary sanction of up to BGN 500, unless the person is subject to a more severe punishment.

(2) A person who fails to state or states false data or circumstances in his/her tax return, this bringing about either a lower amount of the tax or exemption from tax, shall be punished with a fine or a pecuniary sanction of up to BGN 1000, unless the person is subject to a more severe punishment.

(3) In the cases of a repeated violation the fine or the pecuniary sanction referred to in para. 1 shall be at the amount of up to BGN 1000, and the one referred to in para. 2 shall be at the amount of up to BGN 2000, unless the person is subject to a more severe punishment.

Art. 80a. (new – SG 99/09, in force from 01.01.2010) (1) Any natural person that, being obliged, fails to issue a statement or misrepresents information under Art. 50, Para 1, Item 5 shall be imposed a fine amounting to 10 percent of the non-stated amounts.

(2) In case of repeated offence the fine under Para 1 shall amount to 15 percent of the non-stated amounts, if the persons is not subject to a more severe penalty.

Art. 80b. (new – SG 94/10, in force from 01.01.2011) (1) Any natural person who, being obliged, fails to issue a document under Art. 9, Para 2 for the received income shall be fined from BGN 100 to 500.

(2) In respect of offences referred to in Para 1 a separate fine shall be imposed for each unissued document.

(3) In cases of repeated offence under Para 1 the fee shall be in amount from BGN 200 to 1000.

Art. 81. (1) (prev. text of Art. 81 - SG 99/11, in force from 01.01.2012) In those cases where a person who is a payer of income fails to withhold or contribute the tax in due time, he/she shall be punished with a fine or a pecuniary sanction of up to BGN 1000, unless the person is subject to a more severe punishment.

(2) (new - SG 99/11, in force from 01.01.2012) In cases of repeated offence under Para 1 the fine or the property sanction shall amount to BGN 2000.

Art. 81a. (new - SG 99/11, in force from 01.01.2012) (1) Any person qualifying as payer of income, who, being obliged, fails to issue or provide to the person acquiring the income the forms referred to in Art. 45, Para 1, 2, 4 and 7, shall be imposed a fine or a property sanction amounting to BGN 250, unless subject to a more severe penalty. For offences in respect to more than one natural person the fine or the property sanction shall be imposed separately for each natural person.

(2) In cases of repeated offence under Para 1 the fine or the property sanction shall amount to BGN 500.

Art. 82. (1) In the cases of failure to submit in due time the information referred to in Art. 73, as well as in the cases of stating false or incomplete data, the person shall be punished with a fine or a pecuniary sanction of up to BGN 250, unless the person is subject to a more severe punishment.

(2) As for those violations referred to in para. 1 which have been committed by more than one natural person, the fine or the pecuniary sanction shall be imposed on each natural person separately.

(3) In the cases of a repeated violation under para. 1 the fine or the pecuniary sanction shall be at the amount of up to BGN 500.

Art. 83. (amend. - SG 95/09, in force from 01.01.2010) (1) A person who fails to perform his/her obligation referred to in Art. 51, para. 1 to submit an annual business report, or fails to submit it in due time, shall be punished with a fine or with a pecuniary sanction of up to BGN 500, unless it is subject to a heavier punishment.

(2) In the cases of a repeated violation under para. 1 the fine or the pecuniary sanction shall be at the amount of up to BGN 1000.

Art. 84. (1) An employer under a basic employment relationship who fails to perform his/her obligation to determine the annual amount of the tax on income originating from employment relationships shall be punished with a fine or a pecuniary sanction of up to BGN 500.

(2) In the cases of a repeated violation under para. 1 the fine or the pecuniary sanction shall be at the amount of up to BGN 1000.

Art. 85. (1) The violations under this Law shall be established by way of an order made by a revenue authority.

(2) The penalty warrants shall be issued by the Executive Director of the National Revenue Agency or by an official duly authorized by him/her.

(3) The orders establishing the violations shall be made and the penalty warrants shall be issued, challenged and enforced in accordance with the procedure set forth in the Law on Administrative Violations and Sanctions.

Art. 86. As for the imposition of administrative sanctions, it is the provisions of the Law on Administrative Violations and Sanctions that shall apply.

Additional provisions

§ 1. In this Law:

1. "Bulgaria" or "the country" shall denote the Republic of Bulgaria, and when used in its geographical meaning, it shall comprise the territory in which the Republic of Bulgaria exercises its State sovereignty, as well as the continental shelf and the exclusive economic area within which the Republic of Bulgaria exercises sovereign rights in accordance with international law.

2. (amend. – SG 82/09) "Residential address" shall denote the address within the meaning of § 1, item 3 of the Supplementary Provision of the Law on Bulgarian Personal Documents.

3. "Place of business activity" shall denote a place of business activity within the meaning of § 1, item 5 of the Supplementary Provisions of the Tax Insurance Procedure Code.

4. "Establishment" shall denote an establishment within the meaning of § 1, item 7 of the Supplementary Provisions of the Tax Insurance Procedure Code.

5. "Dividend" shall denote:

- a) income originating from shares;
- b) income originating either from shareholding, including the shareholding in unincorporated companies, or from other rights treated as income from shares;
- c) concealed distribution of profit.

6. "Liquidation share" shall denote:

- a) a liquidation share within the meaning of the Commercial Law, including the share of the property allotted to a partner upon the winding up of a partnership or a limited partnership;
- b) the pecuniary equivalent of the property share, this equivalent being allotted to a partner upon the termination of his/her membership in the company;
- c) the respective share contribution allotted upon the termination of membership in a cooperative society or upon the winding up of a cooperative society;
- d) the property transferred in the process of transformation by transfer of the sole proprietor's property in accordance with the procedure set forth in Art. 265 of the Commercial Law;
- e) the income that has the nature of a share under items "a" through "d" upon the winding up of a commercial company/cooperative society or upon the termination of membership in a commercial company/cooperative society abroad.

7. "Interest" shall denote the income originating from any type of receivables for a debt, regardless to whether the debt is secured by way of a mortgage or by way of a clause providing for participation in the debtor's profit, including the interest on bank deposits and the income (bonuses) from bonds and debentures.

8. (suppl. – SG 113/07, in force from 01.01.2008) "Franchise", "factoring", "concealed distribution of profit", "author's and licence remuneration" and "remuneration for technical services" shall denote the respective terms within the meaning of the Law on Corporate Income Taxation.

9. "Market price" shall denote the market price within the meaning of § 1, item 8 of the Supplementary Provisions of the Tax Insurance Procedure Code.

10. "Works of art, objects for collections and antiquities" shall denote the respective terms within the meaning of the Value Added Tax Law.

11. (amend. - SG 106/08, in force from 01.01.2009) "Disposition of financial instruments" for the purpose of Art. 13, Para 1, Item 3 means the transactions:

a) of quotas of collective investment schemes, shares and rights, effected on a regulated market in the sense of Art. 73 of the Law on Markets of Financial Instruments; rights for the purpose of the first sentence means the securities entitling to subscription to a certain number of shares in relation to a decision for increasing the capital;

b) concluded under the conditions and order of the repurchase from collective investment schemes, admitted to be made available to the public in the country or another Member State of the European Union or a country - party to the Agreement on the European Economic Area;

c) concluded under the conditions and order for auctions under Chapter Eleven, Section II of the Law on Publicly Available Securities, or transactions of identical type in another Member State of the European Union or a country - party to the Agreement on the European Economic Area.

12. (amend. - SG 106/08, in force from 01.01.2009) "Additional voluntary insurance" shall denote the insurance referred to in Part Two, Sections Three and Four of the Social Insurance Code, and also the voluntary insurance carried out according to the legislation of a Member State of the European Union or a country - party to the Agreement on the European Economic Area, by an institution performing activities directly related to the pension insurance or to the insurance for professional

qualification and unemployment.

13. (amend. - SG 106/08, in force from 01.01.2009) "Voluntary Health Insurance" shall denote the insurance referred to in Chapter Three of the Law on Health Insurance, and also the activity of voluntary health insurance carried out according to the legislation of a Member State of the European Union or a country - party to the Agreement on the European Economic Area, by an institution performing voluntary (additional) health insurance activity.

14. (amend. - SG 106/08, in force from 01.01.2009) "Life insurance" shall denote the various types of insurance referred to in Section I, items 1 and 3 of Supplement No. 1 to the Insurance Code, concluded by insurers, licensed under the Insurance Code, or by insurers with a seat in a Member State of the European Union or a country - party to the Agreement on the European Economic Area, acting under the conditions of the right of establishment or the freedom of provision of services.

15. "Income from investments of technical reserves" shall denote that portion of the net financial income from the investments of the funds of the mathematical (premium) reserve which has been distributed by the insurer among the accounts of the insured persons.

16. "Insurance indemnity" shall denote the insurance indemnity within the meaning of the Insurance Code.

17. "Rent" shall denote the income received by the owner of agricultural land for the utilization thereof on the part of a cooperative society registered under the Law on Cooperative Societies.

18. "Lease" shall denote the income received by the lessor by virtue of a lease contract.

19. "Production dividends" shall denote the dividends which have been paid to the members of a cooperative society in return for those products which they have produced and sold to the cooperative society.

20. "Consumer dividends" shall denote the dividends distributed for those consumer goods which the members of the cooperative society buy from the latter.

21. (amend. - SG 95/09, in force from 01.01.2010) "Unprocessed agricultural product" shall denote any primary product obtained from plants or animals which is used in its natural form without having undergone any technological processing or reprocessing resulting in physical and chemical changes in the composition thereof.

22. (revoked - SG 106/08, in force from 01.01.2009)

23. (revoked - SG 106/08, in force from 01.01.2009)

24. (suppl. - SG 106/08, in force from 01.01.2009; amend. - SG 32/09, in force from 01.01.2010) "Medical treatment establishments" shall mean the establishments referred to in the Law for the Medical Establishments.

25. "Donation in favour of culture" shall denote the freely provided aid under the conditions and in accordance with the procedure set forth in the Law of Patronage.

26. "Employment relationships" shall denote:

a) legal relationships with employees under the Labour Code;

b) legal relationships with civil servants, as well as legal relationships between the Minister of Defence and the Minister of the Interior or officials authorized by the respective Minister, on the one part, and the employees in the respective Ministries, on the other part;

c) (suppl. - SG 64/07) the legal relationships with the members of the Supreme Judicial Council, the head inspector and the inspectors in the Inspection Office of the Supreme Judicial Council the judges, public prosecutors, investigators, administrative managers and the deputies thereof in the judiciary bodies, State executive magistrates, the entry judges and the court employees under the Judiciary Law, as well as the legal relationships under the Law on the Constitutional Court;

d) the legal relationships between the Bulgarian Orthodox Church or any other religion registered under the Law on Religions, on the one part, and those of its employees who have an ecclesiastical rank, on the other part;

e) (amend. - SG 99/11, in force from 01.01.2012) the legal relationships with persons receiving

income originating from elective offices;

f) (amend. – SG 113/07, in force from 01.01.2008) the legal relationships connected with the employing of workforce on the part of a foreign person, on condition that the performance of the workforce shall be provided inside the territory of the country, as well as legal relations connected to employing of workforce on the part of a local natural person by a foreign person, the performance of the workforce taking place outside the territory of the country;

g) (new – SG 113/07, in force from 01.01.2008) legal relations between an employer referred to in item 27 and a Bulgarian or foreign natural persons, provided that the said relations are being established under a contract for deploying staff between the employer and a third party;

h) (new – SG 113/07, in force from 01.01.2008) legal relations under management and control contracts, including the ones with the members of managing and control bodies of undertakings.

i) (new - SG 95/09, in force from 01.01.2010) legal relations, regardless the grounds of their occurrence, with partners and associated cooperators, and with shareholders, holding more than 5 per cent of the capital of the joint stock company, for working personally in the companies and cooperatives, where they are partners, associated cooperators or shareholders;

j) (new - SG 99/11, in force from 01.01.2012) the relations with the specialisants receiving remuneration from training contracts for acquiring a specialisation from the index of the specialities determined as set out in Art. 181, Para 1 of the Law on the Health;

27. (suppl. – SG 113/07, in force from 01.01.2008) "Employer" shall denote any local person, or any foreign person who performs activities using a place of business activity or establishment within the country, or a commercial representative office as referred to in the Law on Fostering the Investments on condition that the said person employs natural persons under employment relationships or who is a party to contract for providing personnel by a foreign person.

28. "Craftsmanship" shall denote the manufacture of articles or the provision of services performed by a natural person who is registered in the Register of Craftsmen, and is not registered as a sole proprietor.

29. "Freelance practitioners" shall denote the following ones: expert accountants; consultants, auditors; attorneys-at-law; notaries; private executive magistrates; jurors; court experts and prosecuting magistracy experts; licensed assessors; representatives of industrial property; specialists in medicine; translators and interpreters; architects; engineers; technical managers; eminent figures in arts, culture, education and science; insurance agents; other natural persons for whom all of the following conditions are present:

a) they perform professional activities at their own expense;

b) they are not registered as sole proprietors;

c) they are self-insured persons within the meaning of the Social Insurance Code.

30. "Relationships other than the employment ones" shall denote all legal relationships, with the exception of those under items 26, 28 and 29, by virtue of which the obtaining of a specific result is due by a natural person who is not a sole proprietor.

31. "Intellectual property" shall denote the ownership of works of science, arts and literature, including feature films and TV films and records of TV and radio broadcasts, as well as the ownership of patents, trademarks, industrial designs and useful models, drawings, plans, secret formulae and processes, and also information regarding industrial, commercial and scientific expertise (know-how).

32. (amend. – SG 113/07, in force from 01.01.2008) "Equity of the establishment" in connection with the application of Art. 33, para. 11 shall denote the difference between the balance sheet value of the assets and the balance sheet value of the liabilities of the establishment.

33. "Enterprise" shall denote an establishment within the meaning of the Accounting Law, as well as a commercial representative office under the Law on Fostering the Investments and the Mutual Insurance Fund, the latter being set up on the grounds of Art. 8 of the Social Insurance Code.

34. "Tax treaty" shall denote the following:

- a) a treaty aimed at preventing the double taxation of income;
- b) a treaty aimed at preventing the double taxation of income and property;
- c) a treaty aimed at preventing both the double taxation of income and the evasion of taxation of income;
- d) a treaty aimed at preventing both the double taxation of income and the evasion of taxation of income and property;
- e) treaties and contracts aimed at preventing the double taxation in the field of international air transport regardless to whether the said treaties and contracts are inter-State ones or intergovernmental ones.

35. "Tax input" shall denote the right enjoyed under the conditions specified in this Law to recognition of an amount of the tax paid abroad on the taxable person's profit or income originating from sources within the country or abroad.

36. "Repeated violation" shall denote a violation committed within a period of one year following the effective date of a penalty warrant by way of which the violator was sanctioned for the same type of violation.

37. (revoked – SG 113/07, in force from 01.01.2008)

38. (revoked – SG 113/07, in force from 01.01.2008)

39. (revoked – SG 113/07, in force from 01.01.2008)

40. (revoked – SG 113/07, in force from 01.01.2008)

41. (revoked – SG 113/07, in force from 01.01.2008)

42. (revoked – SG 113/07, in force from 01.01.2008)

43. (revoked – SG 113/07, in force from 01.01.2008)

44. (revoked – SG 113/07, in force from 01.01.2008)

45. (revoked – SG 113/07, in force from 01.01.2008)

46. (revoked – SG 113/07, in force from 01.01.2008)

47. "Average weighted price" shall denote the price which is calculated in accordance with the following formula:

$$AWP = \frac{AP_1 \times NM_1 + AP_2 \times NM_2 + \dots + AP_n \times NM_n}{NM_1 + NM_2 + \dots + NM_n}$$

where:

AWP is the average weighted price;

AP_{1,2...n} is the price of acquisition of the respective financial asset;

NM_{1,2...n} is the number of those financial assets which have been acquired at the price of AP_{1,2...n}.

48. (revoked – SG 113/07, in force from 01.01.2008)

49. "Savings income" shall denote the following:

- a) the income originating from any type of receivables for a debt, regardless to whether the debt is secured by way of a mortgage or by way of a clause providing for participation in the debtor's profit, including the interest on bank deposits, the interest on and the discount from bonds and debentures, as well as the income from the sale of bonds and debentures (premiums and profit); the indemnities for delayed payments shall not be regarded as savings income;
- b) the income originating from interest, that income being realized or capitalized in the course

of the sale, the reimbursement or reverse buyout of the receivables for a debt as referred to in item "a";

c) the income referred to in items "a" and "b" that has been paid either directly or through an agent-payer and has been distributed by:

aa) a collective investment scheme that has been licensed in another Member State;

bb) an agent-payer certified in the Member State of his/her residence and equalled to a collective investment scheme;

cc) a collective investment scheme established in a third State;

d) the income originating from sale, reimbursement or reverse buyout of stocks and shares in the entities referred to in items "aa", "bb" and "cc" on condition that the said entities invest, either directly or indirectly (through entities referred to in items "aa", "bb" and "cc") more than 40 percent of their assets in receivables for debts as referred to in item "a".

50. "Agent-payer" shall denote any person who carries out business activities inside the territory of the Kingdom of Belgium, the Republic of Austria or the Grand Duchy of Luxembourg, paying savings income to local natural persons under this Law, including those cases in which the said person is an intermediary in the payment of the income.

51. (new – SG 113/07, in force from 01.01.2008) "Immovable housing property" in relation to the application of Art. 13, para 1, item 1 shall mean real estate, which may be used for residential purposes by the moment of its sale or exchange.

52. (new - SG 95/09, in force from 01.01.2010; suppl. – SG 94/10, in force from 01.01.2011) "Basic employment legal relationship" is the employment legal relationship under item 26, which has occurred first in the time. In determining the basic employment legal relationship shall not be taken into account the employment relationships referred to in Item 26, Letter "i".

53. (new - SG 95/09, in force from 01.01.2010) "Annual business report" is the report under Art. 20, par. 4 of the Law for the statistic.

54. (new - SG 95/09, in force from 01.01.2010) "Marine person" is a natural person, occupying a position under an employment legal relationship as a person of a crew of a sea vessel, entered into the register of the vessels of an European Union Member State, regardless whether it is shoreside or shipboard, holding a qualification certificate and a certificate of advanced and/or special training, granted pursuant to the provisions of Art. 87, par. 1 of the Code of Commercial Navigation.

55. (new – SG 94/10, in force from 01.01.2011) "Jurisdictions of preferential tax regimes" shall be those referred to in the Law on the Corporate Income Taxation.

56. (new – SG 31/11, in force from 01.01.2011) "Income from business activity of natural persons" for the purposes of Art. 29a is income from activity related to production of processed or unprocessed agricultural products, except for the income from production of ornamental foliage plants carried out by natural persons registered as tobacco producers and farmers who are not traders within the meaning of the Commercial Law.

§ 2. This Law introduces the provisions of the Council Directive 90/434/EEC on the general scheme of taxation, applicable to mergers, restructuring, transfer of assets and exchange of shares regarding companies from different Member States, and the Council Directive 2003/48/EC on taxation of savings income in the form of interest payment.

Transitional and concluding provisions

§ 3. The Law on Taxation of the Income of Natural Persons (prom., SG, No. 118 of 1997, No. 35 of 1998 - Decision No. 6 of the Constitutional Court of the year 1998, am., Nos. 71 and 153 of 1998,

Nos. 50, 103 and 111 of 1999, No. 105 of 2000, No. 110 of 2001, Nos. 40, 45, 61 and 118 of 2002, Nos. 42, 67, 95 and 112 of 2003, Nos. 36, 37, 53, 70 and 108 of 2004, Nos. 43, 102, 103 and 105 of 2005, Nos. 17 and 63 of 2006) is repealed.

§ 4. (1) A person who is a basic employer within the meaning of the repealed Law on Taxation of the Income of Natural Persons as at 31 December 2006, shall recalculate, in accordance with the procedure set forth in the said Law, the final tax on the income originating from employment relationships, as well as the final tax on legal relationships equalled thereto, on the grounds of the annual basis of taxation, until 31 January 2007.

(2) As for the difference in the tax in connection with the recalculation referred to in para. 1, it is the provisions of Art. 49, paras. 5, 6 and 7 that shall apply.

(3) The employers within the meaning of the repealed Law on Taxation of the Income of Natural Persons shall issue the certificate referred to in Art. 38 of the said Law regarding the income originating from employment relationships and received in the course of the year 2006.

§ 5. As for the taxable income originating from employment relationships within the meaning of this Law that is due but has not been paid prior to the effective date of this Law, the amount of the advance tax due shall be determined in accordance with Art. 42, para. 3.

§ 6. (1) The income that was received prior to the effective date of this Law, and is other than the income originating from employment relationships, and is subject to taxation under the repealed Law on Taxation of the Income of Natural Persons, and the date of receiving the income under this Law is later than 1 January 2007, shall be deducted when determining the taxable income under this Law.

(2) The portion of the taxable income that, on the grounds of Art. 22, para. 2 of the repealed Law on Taxation of the Income of Natural Persons, was not taken into consideration when determining the basis of taxation within the meaning of the said Law, shall be declared as taxable income under this Law in the course of subsequent years of taxation until the depletion of the remainder of years referred to in Art. 22, para. 2 of the repealed Law on Taxation of the Income of Natural Persons.

§ 7. (1) The income received in the course of the year 2006 that is subject to being declared in accordance with the procedure set forth in the repealed Law on Taxation of the Income of Natural Persons shall be declared not later than 15 April 2007 by way of submission of the tax return referred to in Art. 41 of the said Law.

(2) Those enterprises which in the year 2006 paid to natural persons income other than the income under employment relationship and pensions shall submit the information referred to in Art. 57 of the repealed Law on Taxation of the Income of Natural Persons not later than 15 April 2007.

§ 8. (1) The tax due on income received in the year 2006 shall be contributed within the time limits and in accordance with the procedure set forth in the repealed Law on Taxation of the Income of Natural Persons.

(2) The tax referred to in para. 1 shall be subject to the tax relief in accordance with the conditions and procedure set forth in the repealed Law on Taxation of the Income of Natural Persons.

§ 9. The standard forms of the annual tax return for the year 2006 as well as the record for the year 2006 under Art. 57 of the repealed Law on Taxation of the Income of Natural Persons shall be approved not later than 10 January 2007 by way of an Ordinance issued by the Minister of Finance, and the said Ordinance shall be promulgated in the State Gazette.

§ 10. The standard forms of the account of the paid amounts and the certificate referred to in Art. 45, para. 4, and the certificate referred to in Art. 58, as well as the tax return referred to in Art. 59, para. 1 shall be approved not later than 31 December 2006 by way of an Ordinance issued by the Minister of Finance. The standard forms and the Ordinances shall be promulgated in the State Gazette.

§ 10a. (new – SG 41/09, in force from 01.07.2009) (1) The persons with type and level of disabilities of 50 or above 50 percent determined in a valid decision of a competent authority shall be entitled to tax relief for persons with reduced working ability under the order of this Law.

(2) The persons, who have been assigned by 31 December 2009 a level of permanently reduced working ability for a lifetime under the order of the Law on the Health, and the persons who have been assigned a level of reduced working ability for a lifetime by virtue of § 3 of the Transitional and Concluding Provisions of the Law on the Health, shall be considered to have a determined type and level of disability for a lifetime.

(3) (new - SG 99/11, in force from 01.01.2012) The persons with reduced working ability of 50 and more than 50 percent established after the age for entitlement to a pension for length of service and age under Art. 68 of the Social Insurance Code, as well as the persons who have the age for entitlement to a pension for length of service and age under Art. 68 of the Social Insurance Code, within the term of validity of the decision of TEMC (NEMC) shall be entitled to tax relief for persons with reduced working ability under this Law, regardless of the term specified in the expert decision.

§ 10b. (new – SG 49/10, in force from 01.07.2010) The taxable income from labour legal relations shall not include the paid remunerations according to § 22n of Transitional and Final provisions of the Code of Social Insurance.

§ 11. The words "Law on Taxation of the Income of Natural Persons" in the Social Insurance Code shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 110 of 1999, No. 55 of 2000 – Decision No. 5 of the Constitutional Court of the Republic of Bulgaria of the year 2000, am., No. 64 of 2000, Nos. 1, 35 and 41 of 2001, Nos. 1, 10, 45, 74, 112, 119 and 120 of 2002, Nos. 8, 42, 67, 95, 112 and 114 of 2003, Nos. 12, 38, 52, 53, 69, 70, 112 and 115 of 2004, Nos. 38, 39, 76, 102, 103, 104 and 105 of 2005, Nos. 17, 30, 34, 56, 57, 59, 68 and 82 of 2006).

§ 12. The words "Law on Taxation of the Income of Natural Persons" in the Law on Protection against the Noxious Action of Chemical Substances and Preparations, and in § 1, item 17 of the Supplementary Provision thereof shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 10 of 2000; am., No. 91 of 2002, Nos. 86 and 114 of 2003, Nos. 100 and 101 of 2005, Nos. 30 and 34 of 2006).

§ 13. The words "Law on Taxation of the Income of Natural Persons" in the Law on Health

Insurance, and in Art. 42, paras. 1 and 3, and in § 19"d", para. 5 of the Interim and Concluding Provisions thereof shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 70 of 1998; am., Nos. 93 and 153 of 1998, Nos. 62, 65, 67, 69, 110 and 113 of 1999, Nos. 1, 31 and 64 of 2000, No. 41 of 2001, Nos. 1, 54, 74, 107, 112, 119 and 120 of 2002, Nos. 8, 50, 107 and 114 of 2003, Nos. 28, 38, 49, 70, 85 and 111 of 2004, Nos. 39, 45, 76, 99, 102, 103 and 105 of 2005, Nos. 17, 18, 30, 33, 34 and 59 of 2006).

§ 14. The words "Law on Taxation of the Income of Natural Persons" in Art. 40, para. 3 and Art. 41 of the Law on the Integration of Persons with Disabilities shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 81 of 2004; am., Nos. 28, 88, 94, 103 and 105 of 2005, Nos. 18, 30, 33, 37 and 63 of 2006).

§ 15. The words "Law on Taxation of the Income of Natural Persons" in Art. 2, para. 2 of the Law on Certain Rights of Those Persons Who Have Been Presidents of the Republic of Bulgaria shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (SG, No. 59 of 2003).

§ 16. The words "Law on Taxation of the Income of Natural Persons" in § 1, item 2 of the Supplementary Provisions of the Law on Family Allowances for Children shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 32 of 2002; am., No. 120 of 2002, No. 112 of 2003, No. 69 of 2004, No. 105 of 2005, Nos. 21, 30, 33 and 68 of 2006).

§ 17. The words "Law on Taxation of the Income of Natural Persons" in Art. 33, para. 2 of the Law on Local Elections shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 66 of 1995; am., No. 68 of 1995; No. 85 of 1995 – Decision No. 15 of the Constitutional Court of the year 1995; am., No. 33 of 1996; No. 22 of 1997 – Decision No. 4 of the Constitutional Court of the year 1997; am., Nos. 11 and 59 of 1998, Nos. 69 and 85 of 1999, No. 29 of 2000, No. 24 of 2001, No. 45 of 2002, Nos. 69 and 93 of 2003, No. 28 of 2005, Nos. 17, 24, 30 and 69 of 2006).

§ 18. The words "Law on Taxation of the Income of Natural Persons" in Art. 15"a" of the Law on the Election of Deputies shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 37 of 2001; No. 44 of 2001 – Decision No. 8 of the Constitutional Court of the year 2001; am., No. 45 of 2002, Nos. 28, 32 and 38 of 2005, Nos. 24, 30 and 63 of 2006).

§ 19. The words "Law on Taxation of the Income of Natural Persons" in Art. 178, para. 2, item 1 of the Tax Insurance Procedure Code shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 105 of 2005; am., Nos. 30, 33, 34, 59, 63, 73, 82 and 86 of 2006).

§ 20. The words "Law on Taxation of the Income of Natural Persons" in Art. 10"l", para. 3 of the Law on the Election of President and Vice President shall be replaced by the words "Law on Taxes on the Income of Natural Persons" (prom., SG, No. 82 of 1991; am., No. 98 of 1991, No. 44 of 1996, No. 59 of 1998, Nos. 24, 80 and 90 of 2001, No. 45 of 2002, No. 28 of 2005, Nos. 24 and 63 of 2006).

§ 21. This Law takes effect on 1 January 2007, with the exception of § 10, which takes effect on the day on which the Law is promulgated in the State Gazette.

The Law was adopted by the 40th National Assembly on 9 November 2006 and has the official seal of the National Assembly affixed thereto.

Chairperson of the National Assembly:
Georgi Pirinski

Transitional and concluding provisions
TO THE LAW ON THE MARKETS OF FINANCIAL INSTRUMENTS

(PROM. - 52/07, IN FORCE FROM 01.11.2007)

§ 27. (1) This Law shall enter into force from 1 November 2007 except § 7, Items 6, 7, 8, 18, 19, 22 – 24, 26 – 28, 30 – 40, Item 44, Letter "b", Items 47, 48, Item 49, Letter "a", Items 50 – 62, 67, 68, 70, 71, 72, 75, 76, 77, Item 83, Letters "a" and "d", Item 85, Letter "a", Items 91, 93, 94, Item 98, Letter "a", Subletter "aa", second sentence regarding the replacement, Subletter "bb", second sentence regarding the replacement, Subletter "cc", second sentence regarding the replacement and Subletter "cc", second sentence regarding the replacement, Item 99, Letters "d" and "e", Item 101, Letter "b" and Item 102, § 8, § 9, Item 4, Letter "a", Items 5 and 7, § 14, Item 1 and § 19 which shall enter into force three days after the promulgation of the Law in the State Gazette.

(2) Paragraph 7, Item 6, 7 and 8 shall apply by 1 November 2007.

Transitional and concluding provisions
TO THE LAW OF AMENDMENT AND SUPPLEMENTATION OF THE LAW ON TAXES ON
THE INCOME OF NATURAL PERSONS

(PROM. – SG 113/07, IN FORCE FROM 01.01.2008)

§ 48. (1) By a final tax referred to in Art. 28 shall be charged the gross amount of the taxable income from Life assurance, acquired till the date of amendment of the insurance contract, with regards to which has been used tax relief pursuant to the repealed Law for Taxation of the Income of Physical Persons (prom. SG 118/97), in a contract with regards to which tax relief as per Art. 19 may not be used.

(2) Income referred to in Art. 38, para 8, corresponding to the part of the contributions/premiums, regarding which tax relief has not been used according to the repealed Law for Taxation of the Income of Physical Persons, shall not be subject to a final tax.

§ 49. Relief for permanently reduced capacity to work stipulated by a law shall be for a lifetime, in case the fixed term in the expert decision of TEMC/NEMC has not expired by 31 December 2004 and the person has reached 65 years of age before the said date or within the term laid down in the expert decision.

§ 50. (1) Income referred to in Art. 33, para 3 with regards to which the transfer date is prior to 1 January 2007, shall be considered acquired on the date, determined in Art. 11, para 1.

(2) Income referred to in Art. 33, para 11 with regards to which the date of the judicial decision

for transfer is prior to 1 January 2007, shall be considered acquired on the date, determined in Art. 11, para 1.

§ 51. (1) As regards to liabilities related to final annual (patent) tax, which have occurred till the 31st of December inclusive, the provisions of the Law on Taxes on the Income of Natural Persons or of the repealed Law for Taxation of the Income of Physical Persons shall be applied, provided that the establishing, securing and collection thereof shall be carried out pursuant to the Tax-insurance Procedure Code by the bodies of the National revenue Agency.

(2) Proceedings for establishing, securing and collection of liabilities for final annual (patent) tax, which have started by 31 December 2007, shall be completed by the bodies of the National revenue Agency.

§ 52. The Law shall enter into force from 1 January 2008.

**Transitional and concluding provisions
TO THE LAW OF AMENDMENT AND SUPPLEMENTATION OF THE LAW ON TAXES ON
THE INCOME OF NATURAL PERSONS**

(PROM. – SG 113/07, IN FORCE FROM 01.01.2008)

§ 19. In the record under Art. 73, Para 1 for paid income to natural persons for the taxable 2008 shall be entered also the income paid during the same year under Art. 38, Para 1, where this income are not entered in a record for preceding years of taxation.

§ 20. The Law shall enter into force from 1 January 2009.

**Transitional provisions
to the Law on Execution of Penalties and Detention (Prom. – SG 25/09, in force from 01.06.2009)**

§ 13. The Law shall enter into force from 1 June 2009, except for the provision of Art. 43, para 3, which shall enter into force three years after the programme referred to in § 11 has been adopted.

**Concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE LAW ON TAXES ON
THE INCOME OF NATURAL PERSONS**

(PROM. - SG 32/09, IN FORCE FROM 01.01.2010)

§ 6. The Law shall enter into force from the 1st of January 2010.

**Concluding provisions
TO THE LAW OF DEFENCE AND ARMED FORCES OF THE REPUBLIC OF BULGARIA
(PROM. – SG 35/09, IN FORCE FROM 12.05.2009)**

§ 46. The Law shall enter into force from the day of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE LAW ON THE
HEALTH

(PROM. – SG 41/09, IN FORCE FROM 02.06.2009)

§ 96. This Law shall enter into force from the day of its promulgation in the State Gazette, except for:

1. paragraphs 3, 5, 6, and 9, which shall enter into force from 1 January 2009;
2. paragraphs 26, 36, 38, 39, 40, 41, 42, 43, 44, 65, 66, 69, 70, 73, 77, 78, 79, 80, 81, 82, 83, 88, 89 and 90, which shall enter into force from 1 July 2009;
3. paragraph 21, which shall enter into force from 1 Jun 2010.

Transitional and concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE LAW FOR THE
INCOME TAX OF NATURAL PERSONS

(PROM. – SG 95/09, IN FORCE FROM 01.01.2010; AMEND. – SG 99/09, IN FORCE FROM 01.01.2010)

§ 24. Where income under § 1, item 26, item “i” of the additional provisions is calculated, but not paid up to 31 December 2009, the amount of the due advance tax shall be determined pursuant to the provision of Art. 42 based on the monthly basis of taxation, calculated from the paid income in the respective month.

§ 25. Article 51 shall apply also to the annual business report for 2009. Annual financial statements for 2009 and audit reports thereto shall not be submitted to the National Revenue Agency.

§ 26. Remission of tax under Art. 48, par. 6 shall apply following issuance of a positive decision by the European Commission for compatibility with the regulations in the field of state grants. Provided that the European Commission issues a positive decision by 31 March 2011, the remission may apply also for 2010. Remission of advance deposits of the tax of agricultural producers shall not be allowed by the date of the European Commission’s positive decision.

§ 27. The administrator of a state grant under Art. 48, par. 6 shall be the Minister of Agriculture and Foods. The Minister of Agriculture and Food shall notify the European Commission following the order and the procedures, provided in the Law for the State Grants.

§ 28. The tax on the annual basis of taxation for the income from business activity as a sole trader shall be remitted pursuant to the provision of Art. 48, par. 6 not later than 31 December 2013.

§ 29. The advance tax on income from employment legal relationship of marine persons, calculated after 31 December 2009 for preceding tax years, shall be determined pursuant to the

provisions of Art. 42, par. 4 applicable as of the date of calculation of the income.

§ 29a. (new – SG 99/09, in force from 01.01.2010) In the yearly tax statement under Art. 50 for 2009 shall be indicated also any money loans under Art. 50, Para 1, Item 5.

§ 30. The law shall enter into force from January 1, 2010.

Transitional and concluding provisions
TO THE LAW ON THE STATE BUDGET OF THE REPUBLIC OF BULGARIA FOR 2010

(PROM. – SG 99/09, IN FORCE FROM 01.01.2010)

§ 84. This Law shall enter into force from 1 January 2010, except § 80, which shall enter into force from 15 December 2009.

Transitional and concluding provisions
TO THE LAW OF DEFENCE AND ARMED FORCES OF THE REPUBLIC OF BULGARIA

(PROM. – SG 16/10, IN FORCE FROM 26.02.2010)

§ 155. The Law shall enter into force from the date of its promulgation in the State Gazette, except for the provision of § 74, which shall enter into force from March the 1st 2010, and § 135, which shall enter into force from January the 1st 2011.

Concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENATION OF THE LAW ON THE
INCOME OF NATURAL PERSONS

(PROM. – SG 94/10, IN FORCE FROM 01.01.2011)

§ 10. This Law shall enter into force from 1 July 2010.

Transitional and concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENATION OF THE LAW ON VALUE
ADDED TAX

(PROM. – SG 19/11, IN FORCE FROM 08.03.2011)

§ 11. This Law shall enter into force from the date of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE LAW ON THE
INCOME OF NATURAL PERSONS

(PROM. - SG 31/11, IN FORCE FROM 01.01.2011)

§ 15. The income from activity of natural persons registered as tobacco producers and farmers including the ones acting as sole traders, activity related to production of unprocessed plant and animal production, except for the income from production of ornamental foliage plants paid up during the year 2010 as state aid, grant and other financial support by the European Agricultural Guarantee Fund, the European Fund for Rural Development and the state budget, which shall not be included in the taxable income under Art. 29 and Art. 26 and shall not be subject to taxation in those cases where they refer to the year 2009 or to previous years. The said income shall be declared in the annual tax return under Art. 50 for the year 2010, provided that in Appendix No 3 and 3a, Part 1, table 1 they are indexed by code 10.

§ 16. The declaration under Art. 29a, para 4, by which the persons referred to in Art. 29, para 3 exercise their right to choose, shall be submitted by May 31, 2011.

§ 17. (1) The registered tobacco producers and farmers, regardless of their registration under the Law on Value Added Tax, can choose their taxable income for the year 2010 to be calculated according to Art. 26 and to be levied by a tax on the annual tax base under Art. 28.

(2) The right of choice mentioned in para 1 shall be declared in the annual tax return under Art. 50 for the year 2010, and in those cases where such tax return has been submitted prior to the promulgation of this Law in the State Gazette, the right of choice shall be declared by a new tax return by April 30, 2011..

§ 22. The Law shall enter into force from January 1, 2011, except for § 8, which shall enter into force in the beginning of the month, following the month during which the Law is promulgated in the State Gazette.

**Transitional and concluding provisions
TO THE LAW ON ENERGY FROM RENEWABLE SOURCES**

(PROM. – SG 35/11, IN FORCE FROM 03.05.2011)

§ 25. This Law shall enter into force from the day of its promulgation in the State Gazette, except for the following provisions:

1. Art. 20, paras 1, 2 and 3, which shall enter into force from January 1, 2012 as regards to new buildings for public service, and regarding the rest of the buildings – from December 31, 2014;
2. Art. 21, paras 1, 2, 3 and 4, which shall enter into force from December 31, 2012;
3. Art. 22, paras 1, 2, 3, 4 and 5, which shall enter into force from January 1, 2012;
4. Art. 23, paras 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12, which shall enter into force from July 1, 2012.

**Transitional and concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE LAW FOR SOCIAL
SUPPORT**

(PROM. - SG 51/11)

§ 10. (1) The Social Support Fund - which is a sub-delegated administrator of spending at the Minister of Labour and Social Policy - shall be closed. The available resources of the closed Social Support Fund shall be transferred to the budget of the Social Protection Fund.

(2) The Social Protection Fund is the legal successor of the assets, liabilities, rights and obligations of the Social Support according to the statement and balance sheet by the date of entry into force of this Law.

§ 11. (1) Within three months from the entry into force of this Law the Minister of Labour and Social Policy shall endorse the Rules for the Organization and Operation of the Social Protection Fund as well as a methodology for allocation of the fund's resources.

(2) Within three months from the entry into force of this Law the Minister of Labour and Social Policy shall select members of the Managing board and assign and Executive Director of the Social Protection Fund.

(3) Former members of the Managing board of the closed Social Support Fund shall continue to exercise their powers until new members of the Managing board are selected and the new Executive Director under para 2 is assigned.

(4) The Rules for the Operation of the Social Support Fund (which has not been promulgated), issued on the ground of the repealed Art. 30, shall be applied until the Rules mentioned in para 1 is endorsed.

Transitional and concluding provisions
TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE LAW ON THE
TAXES ON THE ONCOME OF NATURAL PERSONS

(PROM. - SG 99/11; IN FORCE FROM 01.01.2012)

§ 17. The income from renting or other paid provision of condominium property with owners general meeting form of management, due and not paid by 31 December 2011 shall be taxed as set out in Art. 38, Para 12 at their payment.

§ 18. The income from activities of natural persons registered as tobacco producers or farmers, including those acting as sole entrepreneurs, in the production of non-processed plant or animal production, excluding the income from production of decoration plants, paid during 2011, in the form of state aid, subsidies or other support from the European Agricultural Guarantee Fund, the European Rural Development Fund and the state budget, shall not form part of the taxable income under Art. 26 and 29 and shall not be subject to taxation, if obtained for 2009 or preceding years. Such income shall be declared in the annual tax declaration under Art. 50 for the respective year.

§ 19. Art. 48, Para 8, Art. 52, Para 1 and 2 and Art. 53, Para 4 shall apply also to the taxation of the income from 2011.

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§ 21. This Law shall enter into force from 1 January 2012, except for § 1, which shall enter into

force from the day of its promulgation in the State Gazette.

Appendix to Chapter Seven

(revoked – SG 113/07, in force from 01.01.2008)

Relevant acts from European legislation:

COUNCIL DIRECTIVE 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments

COUNCIL DIRECTIVE 2005/19/EC of 17 February 2005 amending directive 90/434/eec 1990 on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different member states